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Local Livestock Markets

In Relation to

Corn-Belt Hog Marketing

By R. C. Ashby

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Local Livestock Markets in Relation to Corn-Belt Hog Marketing[1]

By R. C. Ashby, Associate Chief in Livestock Marketing

INTRODUCTION

LOCAL LIVESTOCK MARKETS have increased rapidly in the past ten years, both in numbers and in importance, as evidenced by the increasing volume of livestock, especially hogs, marketed thru them. With this change in marketing methods, conflicts of interest have developed between groups of packers, some definitely encouraging the local market movement, others feeling that it is a detriment to themselves or to the industry in general. Masses of material have been published setting forth opposing facts and views. In the resulting confusion stockmen who are trying to plan their marketing programs on a sound basis have felt the need of comprehensive and unbiased information on this important subject. The study reported in this bulletin is an attempt to meet this need. The author has tried to give a thoro analysis of the relations of local livestock markets to terminal markets, and to appraise the effect of local markets upon hog-marketing methods and hog prices.

Consideration of direct marketing as such has not been a primary objective either in conducting the study or in assembling its results. It is not a question, with any competent economist or open-minded student, whether he favors or opposes direct marketing; the question is what plan of marketing will put stockmen in a more effective selling position and lessen the burdensome spread between producer and consumer.

Never have conditions in the livestock marketing field appeared more unsettled. Everything is in flux. Just what will emerge, no one knows. No longer afraid of change, all desire that if a new system is to come it may be more efficient and more economical than what has been. During the shifting process many irregularities and inequalities will appear, with resulting price penalties to stockmen. Whatever the new system may be, stockmen can expect to receive full benefits only to the extent to which they put themselves in position to claim them.

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[1]Submitted by the author to the Graduate School of the University of Illinois, *January, 1934*, in partial fulfillment of the requirements for the degree of doctor of philosophy in economics.

With changes occurring constantly it is difficult for stockmen to keep closely enough in touch with developments to think in terms of present-day conditions. The man who tries to analyze present-day problems while thinking in terms of even four or five years ago is apt to be misled or confused. It is hoped that some of the new approaches made in this report—for example, the broader conception of what is involved in livestock marketing costs; the significance of inequalities in the price of hogs to packers; the harmful effects of inequitable freight rates; the grouping of packers according to the method and the place of livestock purchasing and of their function in the industry; the effects of local-market operation upon terminal markets; and the possible effects of the concentration of large-volume purchases upon wholesale meat prices—may assist stockmen to think in terms of present-day conditions, and at the same time may stimulate more interest in these problems, the solution of which will vitally affect their welfare.

This is not primarily a statistical study. Since there have been so many changes in livestock marketing in this period, a more general study of the problem would seem likely to give results of broader application.

While the use of so much undocumented material as appears in this study may be questioned, the fact is that little pertinent information is in published form. It has had to be obtained by personal contact, and the nature of the facts given prevents direct acknowledgment of their sources because of possible embarrassment to the contributors. Such material is presented, however, with the writer's full confidence in its authenticity and validity.

Unsatisfactory conditions in this field, as in others, the writer believes can best be remedied by frankly recognizing them and removing the causes promoting them. In this study he has attempted to reflect conditions just as he found them. This has required plain speaking, but the plain speaking carries no animus.

PART I. DEVELOPMENT OF LOCAL LIVESTOCK MARKETS AND SOME FACTORS IN THEIR OPERATION

Local livestock markets, in contrast with country buyers, as a means of assembling livestock, particularly hogs, for sale and shipment to distant buyers, appeared in the corn-belt states at the turn of the century[1] but did not attract widespread notice until the last ten years. Since the early 1920's these local markets have been the subject of increasing discussion.

The term "local livestock market," as used in this study, includes local stockyards, concentration points, reload stations, direct-buying points, and similar set-ups where stockmen may regularly sell hogs for at least five days a week. Local packing plants are not included in the scope of the discussion.

Only by a detailed personal survey of the entire corn-belt region could one ascertain definitely the number of local livestock markets in operation, and such a figure would be correct only for the time of the survey, for there is continuous change both in number of markets and in their locations. The best information available[2] indicates that 250 local livestock markets, or more, were operating in nine corn-belt states at the end of 1932 and in the early part of 1933; thus rapidly have hog-marketing operations been decentralized.

Up to late 1928 local markets were in operation at only two points in Illinois—Savanna and Keithsburg; at the end of 1932 local markets buying hogs daily were in operation at nineteen points, with competing yards at two of the nineteen locations. Seventeen local packing plants were operating, not counting those in Chicago, Peoria, or East St. Louis. Additional local markets were put into operation during 1933.

In Iowa the establishment of local livestock markets began earlier; there also the movement has spread fast during recent years. At the end of 1932 there were forty-six or more such points operating. In addition most of these points had numbers of country buyers who

[1]A sketch of the early development of local livestock markets, is given in *Appendix A*, page 605.

[2]The writer's recent first-hand study of local markets has been primarily in Illinois. Information about the number and location of such markets in other states has been obtained from persons in position to give an accurate account, including railroad officials, local market operators, terminal market operators, packers, staff members of the agricultural colleges and experiment stations, and representatives of the U. S. Department of Agriculture.

FIG. 1.—DISTRIBUTION OF LOCAL LIVESTOCK MARKETS IN FOUR IMPORTANT HOG-PRODUCING STATES, DECEMBER, 1932

Local markets having developed in Illinois somewhat later than in the three other states shown, the number is fewer, but additional points are being steadily established. Only the major points are shown for Iowa (see page 441).

bought hogs for them or supplied hogs to them.[1] Some students of the problem would include many such points as local livestock markets, thus making the total number much higher. Indeed, one responsible and well-informed operator stated personally to the writer that there were over sixty such markets in operation in Iowa early in 1933. Also in the state were six large and important packing plants, commonly referred to as "interior" plants.

Indiana has approximately eighty local livestock markets and twenty-seven local packing plants (excluding the five cities having federally supervised stockyards). Ohio had sixteen local livestock markets in operation in 1925, and over fifty early in 1933; also twenty-two local packing plants (excluding the four cities having federally supervised stockyards).

Distribution of local markets thru the above four states is shown in Fig. 1.

In Minnesota nine important local livestock markets were in operation at the end of 1932; nine were in operation in the Dakotas, eleven in Nebraska, and five in Missouri. Recently local markets were springing up at numerous points in Michigan.

That the movement of hogs thru local markets or direct to packers has not reached its peak is suggested by state-by-state increases from

TABLE 1.—ESTIMATED PROPORTIONS OF HOGS MARKETED THRU TERMINAL MARKETS AND DIRECT TO PACKERS, IN EIGHT STATES, 1931 AND 1932[1]

State	Total hogs marketed		Percentage thru terminal markets		Percentage thru local markets or direct to packers	
	1931	1932	1931	1932	1931	1932
Illinois	4 917 000	5 295 968	82.1	75.4	17.9	24.6
Indiana	3 162 000	3 388 000	81.2	83.2	18.8	16.8[2]
Iowa	13 975 808	12 440 204	40.4	34.4	59.6	65.6
Minnesota	5 336 739	4 800 521	60.9	55.1	39.1	44.9
Missouri	3 474 812	4 129 257	71.2	59.1	28.8	40.9
Nebraska	5 736 847	5 749 493	85.4	77.7	14.6	22.3
Ohio	2 586 000	2 387 000	55.6	47.5	44.4	52.2
South Dakota	3 661 929	1 896 642	57.6	46.5	42.4	53.5

[1]From estimates by the U. S. Department of Agriculture.
[2]A well-informed Indiana operator has estimated, in a statement to the writer, that over 30 percent of Indiana hogs were marketed direct in 1932. In some states the state agricultural statisticians did not contact the local markets until recently and, as a result, do not yet receive complete information.

[1]Derrick, B. B., Senior Agricultural Economist, Bureau of Agricultural Economics, U. S. Department of Agriculture, in "Some Phases of Hog Marketing in Iowa," 1929, an unpublished manuscript, p. 3, says: "The smaller stations [local markets] confine their buying to a radius of 50 to 75 miles, whereas some of the larger stations extend their buying across the state. The reload stations have from 10 to 200 shippers, consisting of independent buyers, cooperative shipping associations, and individual farmers. . ."

1931 to 1932 (Table 1). While the increase in Iowa may have been due largely to increased purchases by the interior packers, the increase in Illinois was due almost entirely to larger volumes handled by the local markets. A situation similar to that in Illinois prevailed in Indiana (see footnote 2, Table 1), Missouri, Nebraska, and Ohio. Information is not at hand as to channels thru which the increases moved in Minnesota and South Dakota.

Reasons for Local Market Development

Many reasons have been suggested for the establishment of so many local livestock markets in so short a period. Doubtless primary considerations have varied in different areas. The major reasons, in order of their importance, appear to have been:

1. Local markets have had freight-rate advantages. Terminal markets have been at a distinct disadvantage because denied in-transit rates.[1]

2. Packers have established local markets for the purpose of getting first chance at the more desirable hog areas, of obtaining hogs more cheaply, or to raise the price of hogs to their competitors. Doubtless a primary purpose of the Big Packers in establishing direct buying points in Iowa during the 1920's was to increase local buying competition and thus to raise the price of hogs to the interior packers.

3. The construction of improved roads and the resulting rapid increase in volume of livestock transported by truck have contributed in two ways to the development of local markets: (a) motorization of livestock transport has made possible assemblage of livestock in volume at local markets; (b) trucks have taken much livestock traffic (terminal market consignments) from the railroads. Some railroads in turn have actively encouraged the establishment of local livestock markets on their respective lines as an effective means of meeting truck competition. Other railroads, anxious for their share of the traffic, have sought to locate offsetting local markets on their own lines. It is conceivable that whole railroad systems may become interested in the development of local markets to the disadvantage of terminal markets. In fact one railroad company has recently shown some indications of such development.

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[1]Hogs moving direct from local points to eastern destinations pay the one thru rate, whereas hogs going east via a terminal pay the higher combination rates—a local rate from the local point to the terminal and another local rate from the terminal to the eastern destination. In this connection see also *Appendix A,* page 605.

4. The convenience and accessibility of local markets have contributed markedly to their increased use by stockmen.

5. Proponents of cooperative livestock marketing suggest that packers have encouraged the development of local livestock markets, and of direct buying in general, as a means of checking or offsetting the growing strength of cooperative sales agencies on the terminal livestock markets. (Analysis of Table 2, showing the volume of livestock sold cooperatively on the country's terminal markets, does not disclose sufficient centralization of selling operations to justify a rapid development of direct buying by packers as an offset. Quite possibly, however, there is more at issue here than the data disclose.) It is generally recognized by the trade that sufficiently large direct receipts free packers from the necessity of registering urgent demand in the terminal markets, and thereby increase the power of the buying side to influence prices.

6. Packers find that hogs can usually be bought more cheaply at local markets.

7. Drastic declines in livestock prices, coupled with an almost total disappearance of farm income and with slow adjustments of marketing costs thru the terminals, contributed definitely to the establishment of local markets. Stockmen, persuaded that they would receive a higher net return at a local market, have sold increasing numbers of hogs locally. Promise of a 10-cent saving on three-dollar hogs is an effective argument.

8. Day-to-day fluctuation of prices on the terminal markets has been another factor[1] influencing stockmen to make use of local markets that are so near that prices can usually be known, approximately at least, before the hogs leave the farm or feedlot; and the owner can thus be saved the risk of price change a day or two days after starting his livestock to market. (In ordinary rail shipments to a terminal market and in long-distance truck shipments, livestock are loaded on one day and sold on the next day's market.)

9. The continually increasing volume of hogs moving direct to the packers has correspondingly reduced the volume of hogs offered for sale on the terminal markets, at the same time curtailing the volume available for filling orders. As a result numerous order buyers have

[1]A good statement of the stockman's resentment of what he considers unjustifiable fluctuations in livestock prices from day to day is presented in a "Report of the Federal Trade Commission on the Meat-Packing Industry, 1919," Part 3, pp. 310, 311.

TABLE 2.—VOLUMES OF LIVESTOCK SOLD COOPERATIVELY AND TOTAL LIVESTOCK RECEIPTS AT TERMINAL LIVESTOCK MARKETS FROM WHICH DATA WERE AVAILABLE FOR THE YEARS 1923 TO 1932 INCLUSIVE[1]

Year	Hog receipts[2]		Cattle and calf receipts		Sheep and lamb receipts		Total receipts, all animals			
	Number of head	Percent sold cooperatively	Number of head	Percent sold cooperatively	Number of head	Percent sold cooperatively	Number of head	Percent sold cooperatively	Number of markets included	Number of cooperative sales agencies included
1923	43 760 512	17.7	18 529 909	7.6	16 282 544	4.5	78 992 198	12.6	19	23
1924	43 777 953	21.1	18 776 202	10.1	16 462 141	7.3	79 155 335	14.4	18	26
1925	35 430 280	20.8	19 356 845	9.7	16 500 451	8.2	71 636 691	14.9	19	28
1926	32 232 542	20.7	19 392 725	10.3	18 111 897	8.7	70 063 594	14.7	20	27
1927	33 004 767	21.7	18 112 857	9.3	17 512 080	9.1	69 145 742	15.1	22	28
1928	36 558 319	23.2	16 825 354	10.4	18 528 771	9.1	72 869 518	16.4	22	28
1929	33 414 931	24.1	16 135 604	11.8	19 335 298	10.8	71 223 265	16.9	22	28
1930	31 079 952	23.4	15 955 875	13.1	21 514 693	12.1	71 253 140	16.8	23	30
1931	30 554 562	23.5	16 197 564	13.7	24 032 754	12.6	73 480 569	16.9	25	34
1932	26 491 884	22.5	14 194 933	14.1	21 438 847	14.7	64 379 574	17.2	25	36

[1]Data for 1923 to 1931 are from Federal Farm Board Bul. 9, Table 21; data for 1932 are from Division of History and Statistics on Cooperation, Federal Farm Board.
[2]With Chicago direct-to-packer shipments subtracted for each year.

turned to country operations, some of the more far-seeing moving to country points by 1928 or before.[1]

10. Because of reduced income from terminal market selling commissions—such reduction being due both to reduced terminal market receipts and to increased volume handled by cooperatives—numerous operators have sought country locations as affording a better income.[2]

11. Some hold that since the Packers' Consent Decree of 1921[3] ordered the Big Packers to dispose of their holdings in terminal stockyards companies, such packers are less interested in maintaining the terminal markets and instead are diverting an increasing portion of their business to the country. A statement covering this matter is presented in *Appendix C*, page 609.

12. Those who anticipate further decentralization of meat-packing operations in the United States regard the establishment of local markets and concentration points as but a stage in that process.

Ownership and Control of Local Markets

Thus far stockmen have paid little attention to the question of ownership or control of local markets, but as local markets increase in number and importance, stockmen, as well as packers and other groups, are certain to become concerned as to who owns and directs these markets. Definite information regarding the ownership and control of local markets in Illinois, as well as other pertinent information about them, was not always available, several operators of local markets maintaining that theirs is a private business, and that the public has no right to inquire as to their operations.[4]

Railroads Principal Owners of Yards.—With the exception of the privately owned Bushnell yards, all yards at Illinois local markets included in this study are owned by the railroad company on whose

[1]The term "order buyer" designates one who executes buying orders for packers not located at that market, the remuneration for his services being usually a definite fee per car of livestock purchased.

[2]Mr. D. L. Swanson, Manager of the Chicago Producers Commission Association, has estimated (in a statement to the writer) that the total revenue from livestock selling commissions on the Chicago Union Stock Yards was 40 percent less in 1932 than in 1923 or 1924.

[3]In the Supreme Court of the District of Columbia, *The United States of America vs. Swift and Company and others*, No. 37623, equity.

[4]Chief Justice Taft, however, in *Stafford vs. Wallace*, 258 U. S. 495, states: "The authority of Congress extends to every part of interstate commerce and to every instrumentality and agency by which it is carried on; and the full control by Congress of the subjects committed to its regulation is not to be denied or thwarted by the commingling of interstate and intrastate operations. . ." All of the local markets that the writer has visited are engaged in interstate transactions.

trackage they are located; in some instances the yard, or a major portion of it, is leased from the railroad company at a definite rental; at points where yards are operated cooperatively, the association has put in its own scale, scale-house, office, unloading chutes, and sorting pens. One operator said that he paid 6 percent yearly on the amount the railroad company had invested in the yard. Some operators said that they had no lease and paid no rental but were accorded full use of the yards by the railroad company. Some yard operators (in 1932) were reported as paying for additions or improvements to the yards, the railroad repaying them by allowing an agreed freight credit on each car of livestock shipped out.

The traffic authorities consulted were of the opinion that all leases of railroad property, such as railroad-owned yards previously referred to, must be approved by the Illinois Commerce Commission and that copies of the leases must be filed with the Commission. But Mr. C. N. Posegate, railroad engineer for the Illinois Commerce Commission, to whom the writer was referred by the Secretary of the Commission, reported that he had failed to find anything bearing on the matter of leases (See *Appendix B,* page 608).

As to the situation in the other states, only general information was obtainable, but it was to the effect that there also the local yard properties are commonly owned by the railroads. One definite statement is available concerning the situation in Iowa: ". . . of 21 reload stations, 3 were packer owned, 5 were privately owned, and 13 were railroad owned. Nine operators exercised absolute control of the yards, 4 leased the yards for an annual rental, and 8 had the privilege of the yards with other persons."[1]

Few Local Markets Under Farmer Control.—While the question of the ownership of local yards is important, stockmen are more concerned as to who directs the operation of the yards, lays out the policies to be followed, and decides when policies are to be changed.

Only a small proportion of local markets are operated as cooperatives. Of the local markets in Iowa, 26 were listed as operated by Armour and Company, Swift and Company, or Wilson and Company; 7 were operated by Iowa or Minnesota packers not controlled by the three packers just named; 8 were operated by other packers, by agencies affiliated with packers, or by private agencies;[2] and 5 were reported as operated by the Iowa Livestock Marketing Corporation, a cooperative organization.

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[1]Derrick, B. B., works cited (page 441), p. 2.
[2]The term "private agency" is used to denote agencies other than packers or cooperatives.

In Illinois daily local livestock markets are listed as operating at 19 places (Table 3). Six of these are operated by the Kennett-Murray interests; two are operated by Swift and Company; one by Armour and Company; one forwards all of its livestock purchases to Wilson and Company; four are cooperative; and the remainder represent scattered ownership.

In Indiana both Armour and Company and Kingan and Company operate local buying stations. A number of the private agencies operate what are really chain yards, the number of local markets under the management of one concern sometimes running as high as ten or more. Various agencies are reported as operating three to five each. More recently some of the private agencies are reported as frequently shifting some of their points of operation.

Ohio local livestock markets are mostly operated by private agencies. The Cleveland Union Stock Yards Company continues to operate a few points which it opened as an experiment several years ago. At least two agencies operating at several Indiana points also operate at several Ohio points. Relatively a larger number of Ohio points are listed as operated cooperatively than in any of the other states.

Tendency Is Toward Chain Yards.—While many operators of local markets confine their operations to a limited and compact territory, others have extended their operations thru several states. Armour and Company has its own local livestock markets, commonly referred to as packer concentration points, in at least four states. Swift and Company[1] and Wilson and Company have local buying points in both Illinois and Iowa; the Kennett-Murray interests operate local markets in at least five states (an outstanding example of a series of chain yards). While many private agencies operate at single points, the tendency is for successful operators to expand, bringing several points under one management.

An operator controlling several local markets has, it is clear, greater flexibility of action than does the operator of but one market. The chain operator can fit his operations to conditions. If competition is too keen at one point and less keen at other points, he may operate on a smaller scale at the first point or on little or no margin, drawing on the earnings of others of his yards to take care of the situation at

[1]Information given the writer early in 1933 was to the effect that Swift and Company was establishing a concentration point (local market) at Lexington, Kentucky, in the heart of the bluegrass country, strategically located for the purpose of purchasing Kentucky and Tennessee spring lambs.

TABLE 3.—FACTS CONCERNING LOCAL LIVESTOCK MARKETS OPERATING IN ILLINOIS[1]

Town	Operator	Tracks on which located	Began business	Kinds of livestock handled and days for each	Daily hog capacity, head	Yardage charges per head	Commission charges per head
Bloomington	Bloomington Stock Yards[3]	C. & A.	Nov. 1929	Hogs—M, T, W, T, F Calves, sheep—M, T	1 000	Hogs 12¢ Calves } 25¢ Sheep } 25¢	None
Bushnell	Bushnell Union Stock Yards[3]	C. B. & Q.	Oct. 1928	Hogs, cattle, calves, sheep—daily	2 000	Hogs 11 and 9¢[4] Cattle 25 and 22¢[5] Calves 15¢ Sheep 8¢	Hogs 20¢ Sheep 20¢ Cattle 60¢ Calves 30¢
Charleston	Whiting Bros. Stock Yards[3]	N. Y. C. & St. L.	Apr. 1929	Hogs—daily Calves, sheep—M, T	1 000	None	None
Dallas City	Dallas City Order Buyers	A. T. & S. F.	Nov. 1931	Hogs—daily Cattle, calves—M	500	None	None
Danville	Danville Union Stock Yards[2]	P. & E.	June 1931[6]	Hogs, cattle, calves, sheep—daily	1 000	Cattle 50¢ Calves } 25¢ Sheep } 25¢ Hogs } 25¢	None
Danville	Vermilion County Livestock Marketing Association	P. & E.	Oct. 1930	Hogs, cattle, calves, sheep—daily	1 000	([7])	([7])
Decatur	Decatur Live Stock Company	Wabash	June 1929	Hogs—daily; calves—M	1 000	None	None
Galesburg	Galesburg Order Buyers	C. B. & Q.	March 1929	Hogs—daily	5 000[8]	None	None
Galesburg	Harper & Campbell	C. B. & Q.	March 1929	Hogs, cattle, calves—daily	5 000[8]	None	None

[1]Summary of information obtained by the author on personal visits to the various points during the latter part of 1932.
[2]These six yards, known in the trade as Kennett-Murray yards, are regarded by the trade as operated under one management.
[3]This yard is under federal supervision (Packers and Stockyards Administration), but is regarded as a local market in this study.
[4]Hog yardage is listed as 9 cents a head in lots of 50 or more.
[5]Cattle yardage is listed as 22 cents a head in lots of 20 or more.
[6]The manager of this yard had opened a local stockyard on Wabash trackage in September, 1928, but transferred operations to the present yard on June 1, 1931.
[7]The Association deducts one handling charge of 15 cents per cwt. (10 cents per cwt. on full loads). A membership refund of 4 cents per cwt. is returnable at the end of the year.
[8]Galesburg Order Buyers, Harper & Campbell, and the Illinois Live Stock Marketing Association operate at the Burlington Yards, owned by the C. B. & Q. R. R. and long used for feeding in transit.

TABLE 3.—*Concluded*

Town	Operator	Tracks on which located	Began business	Kinds of livestock handled and days for each	Daily hog capacity, head	Yardage charges per head	Commission charges per head
Galesburg	Illinois Livestock Marketing Association	C. B. & Q.	June 1932	Hogs—daily Cattle, calves—M, W Sheep, W	5 000[8]	([9])	([9])
Galesburg	Santa Fe Stock Yards	A. T. & S. F.	Nov. 1929	Hogs—daily	1 500	None	None
Galva	Armour & Company	C. B. & Q.	Nov. 1932	Hogs—daily	600	None	None
Hamilton	Hamilton Stock Yards[10]	T. P. & W.	Nov. 1932	Hogs—daily	600	None	None
Havana	Havana Order Buyers	C. & I. M.	March 1932	Hogs—M, T, W, T, F Calves—M, T, W	600	Hogs 15¢ Calves 25¢	None
Homer	Champaign County Livestock Marketing Association	Wabash	Sept. 1932	All—daily	1 200	(Same as at Urbana)	
Keithsburg	Squires Stock Yard[11]	M. & St. L.	About 1904 or 1905	Hogs—daily	1 600	None	None
LeRoy	LeRoy Stock Yards[6]	P. & E.	May 1931	Hogs—M, T, W, T, F	300	Hogs 12¢	None
Pana	Pana Stock Yards[6]	C. & E. I.	Aug. 1932[12]	Hogs—M, T, W, T, F	800	Hogs 12¢	None
Paris	Whiting Bros. Stock Yards[6]	Big Four	Late in 1929	Hogs—M, T, W, T, F	1 000	([13])	([13])
Princeton	Princeton Stock Yards[10]	C. B. & Q.	May 1931	All—daily	500	None	None
Savanna	Squires Stock Yard[11]	C. M. St. P. & P.	About 1905	Hogs—daily	2 000	None	None
Streato	Streator Stock Yards	Big Four	Oct. 1932	Hogs—daily	500	Hogs 20¢	None
Urbana	Champaign County Livestock Marketing Association	P. & E.	May 1930	All—daily	1 200	Association charges 15¢ per cwt., including truck service from any point in county[14]	

[6]These six yards, known in the trade as Kennett-Murray yards, are regarded by the trade as operated under one management.

[7]The Association deducts one handling charge of 15 cents per cwt. (10 cents per cwt. on full loads). A membership refund of 4 cents per cwt. is returnable at the end of the year.

[9]On hogs, calves, and sheep the Association deducts a handling charge of 15 cents per cwt.; on cattle there is a flat rate of 50 cents per cwt., which includes the local handling charge and all transportation and terminal market expenses. A patronage refund of 4 cents per cwt. is returnable to members at the end of the year.

[10]These two yards are operated under the direction of H. E. Wood of Bushnell, Ill.

[11]These two yards are operated by Swift & Company.

[12]Another firm first operated this yard but ceased operation after a few months. Data regarding the first firm are not available.

[13]Yardage and commission charges were reported as discontinued on January 1, 1931.

[14]On carload lots of cattle the rate is 40 cents per cwt. from farm to market, including all transportation and all terminal marketing expense.

the "hot" point. Or if a competitor attempts to come into his territory at one or two locations out of a total of ten or fifteen, he may "turn on the heat" at those particular spots until the competitor retires or indicates a willingness to operate "in line." Thus the chain operator can vary his margin or methods according to conditions at different points. The operator having only one or two yards must meet conditions as they are or retire.

It is clear that stockmen, or stockmen's organizations, occupy a very minor position as regards the operation or control of local livestock markets.

Operating Expense and Volume of Business

Altho detailed data on operating costs of particular local markets were not available, illustrative estimates can be presented based on the writer's long acquaintance with many local markets.

It may be contended that the cost of operating a local market is immaterial and irrelevant to this study; that since the price relationship between a local market and its competing markets determines whether it gets the livestock, there is nothing more to be considered. Many factors, however, as will be shown later, affect these price relationships. Moreover, if a serious appraisal of the economies, actual or potential, offered by the local market is to be attempted, consideration of the major factors affecting operating expense is essential.

In an analysis of the cost of operating a local market two factors must be kept in mind: (1) the total expense involved, and (2) the volume of hogs by which the expense must be paid. The following expense items must be included:

Plant—Rental or upkeep on yard and office facilities.
Personnel—Management and yard help.
Buying—Country driving, entertainment of or favors to truckmen, etc.
Sales—Telephone calls and telegrams; travel, calling on buyers and entertaining buyers; price adjustments on shipments that are unsatisfactory to buyers.
Insurance—Deads or cripples in the local yard; losses on such shipments as are sent to terminal markets.
Incidentals—Holdovers, feed, price changes and shrinkage on holdovers, etc.

Possibly few marketing points will have exactly the same expense set-up, but the above outline shows the important items.

Large Volume Lowers Unit Cost.—Obviously the operator handling a large volume of hogs can operate on a lower unit cost per head or per hundredweight. Assume two local markets, *A* and *B*, one handling 30,000 hogs yearly and the other 130,000. Each yard is owned by a railroad company, the first representing a $10,000 investment at 6 percent, the second $20,000 at 6 percent. Each operator personally manages his yard, and each requires, in addition to his own services, a bookkeeper-weighmaster, a yard foreman, and perhaps some yard help. The second operator may also require an assistant buyer. The two set-ups would have about the following expenses:

	A	*B*
Hogs handled yearly	30,000	130,000
Annual expense		
Yard rental	$ 600	$1,200
Assistant buyer	.....	2,400
Bookkeeper-weighmaster	1,200	1,200
Yard foreman	800	900
Yard helper	400	480
Total expense	$3,000	$6,180

Buying expense at the two markets may be assumed as similar since the market receiving 130,000 hogs a year would have greater drawing power, necessitating proportionately less country driving and solicitation. Sales expense may be estimated as $1,800 a year ($150 a month) for the smaller point and $2,600 a year for the larger. Livestock insurance is usually on a per-head basis.[1] Incidental expense will probably be proportionately higher at the smaller yard, there being more difficulty, because of smaller volume, in sorting and grading the hogs as buyers want them and in loading out in even carloads.

The total is thus $4,800 a year for the smaller yard and $8,780 for the larger one. These figures, however, include no managerial salaries. No competent operator would be willing to manage a single yard for less than $3,000 a year, altho operators of chain yards may hire local managers for smaller points at less. An operator competent to handle 130,000 hogs a year as they should be handled is worth a minimum of $4,500 and might easily earn twice as much. Where higher salaries obtain, operating expense must be increased accordingly. Thus the total expense would amount to $7,800 a year for the smaller yard and $13,280 for the larger one. With 30,000 hogs handled at the smaller yard, the expense per hog would come to 26 cents, or to 13 cents a hundredweight if the hogs averaged 200 pounds. Thus the expense

[1]There are exceptions; the Champaign County Livestock Marketing Association reports having obtained livestock insurance at a flat rate per truck as a result of low losses, carefully selected truckmen, and equipment maintained at the highest degree of efficiency. By operating their trucks from 15 to 20 hours a day, the Association has a very low insurance charge per head.

at the smaller yard would not be greatly less than the marketing expense at a terminal. At the larger yard, where 130,000 hogs are handled, the expense per hog would amount to 10.2 cents, or 5.1 cents a hundredweight for 200-pound hogs. If these operators paid no rental for their yards, the total expenses and the expenses per hog would be:

Smaller yard: $7,200 ÷ 30,000 = 24 cents a hog
Larger yard: $12,080 ÷ 130,000 = 9.3 cents a hog

Thus it is clear that the operator of a large market can handle hogs at a materially lower expense per head than the operator of a small market.

If further proof be needed on this point the experience of the Champaign County Livestock Marketing Association furnishes it. According to Manager Carl Smith, the Association marketed 30,000 hogs in 1932 at an average handling expense of 11½ cents a hundredweight; in 1933 they marketed some 60,000 hogs at a handling expense of 6⅕ cents a hundredweight.[1]

An operator who has a chain of yards and centralizes sales at one point has similar opportunity to reduce both sales and managerial expense both per car and per head.

Another advantage that an operator handling a large volume of hogs has is that he can make a satisfactory return at a smaller margin per hog than the operator with a small volume. An interesting illustration of this principle, and one worth noting in connection with the United States export outlet for pork products, appeared in a recent publication of the U. S. Department of Commerce. Referring to restriction of lard imports into Czechoslovakia, the report said: "Before imports were limited by quotas, wholesalers were satisfied with a profit of 7 to 8 percent, but since supplies have been reduced wholesalers have increased their profits [margins] from 15 to 20 percent."[2]

Receipts at Five Illinois Local Markets.—Since only four managers of privately operated local markets supplied complete data as to the volume of hogs handled, the remainder declining to furnish any information, no data on this point furnished direct by the markets are included in the analysis. The daily newspaper reports, however, for the yards for which local prices were analyzed, frequently indicated the day's receipts. Those data are presented in Table 4. They show for each point, by years, the number of days for which receipts were

[1]Personal information to the writer.
[2]*Foodstuffs 'Round the World,* Foreign Notes on Meats, Fats, Oils, and Livestock, U. S. Department of Commerce, Vol. 2, No. 34, Feb. 24, 1933, p. 2.

published, the total receipts reported for that number of days, and an estimated total for the year on the basis of equivalent receipts per day for the entire period. As thus computed, the smallest annual volume was 48,246 head and the largest 228,786 head, differences that would markedly affect the unit cost of operation and the margins needed to maintain a business on a profitable basis. The accuracy of these data, however, could be determined only by comparing them with actual receipt records.

TABLE 4.—VOLUME OF HOG RECEIPTS AT FIVE ILLINOIS LOCAL LIVESTOCK MARKETS ESTIMATED ON BASIS OF DAILY RECEIPTS PUBLISHED IN DAILY NEWSPAPER QUOTATIONS[1]

Market and year	Number of days hog receipts were published each year	Total hog receipts reported each year[2]	Average number of hogs received per day for days reported[3]	Calculated total hog receipts for 255 market days[4]
Bloomington				
1930	244	64 470	264	67 371
1931	251	80 390	320	81 676
1932	252	90 250	358	91 316
Charleston				
1930	215	43 860	204	52 020
1931	251	50 075	200	50 872
1932	253	52 910	209	53 320
Danville[5]				
1930	...	......	...	......
1931	139	37 440	269	68 672
1932	228	66 777	293	74 690
Galesburg (Burlington Yard)				
1930	228	116 750	512	130 586
1931	245	165 700	676	172 456
1932	249	223 400	897	228 786
Paris				
1930	233	48 155	207	52 708
1931	236	44 650	189	48 246
1932	239	57 395	240	61 226

[1]The same list of local newspaper quotations as that from which local market price data were developed.
[2]The sum of the numbers reported for the various days for each local market.
[3]The sum shown in the third column divided by number of days shown in second column.
[4]The daily average shown in the fourth column multiplied by 255.
[5]Danville Union Stock Yards.

As additional local markets have been opened, the territory of each has been somewhat restricted and its potential volume of receipts reduced. The problem of crowding already confronts operators of local markets in Illinois[1] as well as in other states. As this problem becomes more intense, margins on which hogs are bought, buying policies, and competitive practices in general will be subjected to change.

[1]One of the most effective operators remarked in December, 1932: "If they keep on opening more and more of these local yards, they'll soon have it so none of us can do any good."

Buying Practices at Local Markets

Stockmen are concerned, knowingly or unknowingly, in buying practices and in general competitive conditions at local livestock markets, for their immediate individual sales are affected by these practices and conditions; and indirectly their interests become involved when these practices affect the entire hog-raising and meat-packing industry, a point that will be developed in Part III.

Individual stockmen are directly interested in the question whether local market operators (1) buy hogs in the country at the farm as well as at the local stockyard; (2) treat all patrons alike as to price, or "take care" of certain large feeders or influential stockmen; (3) subsidize local truckmen, in one form or another, to induce them to bring more hogs to the local market; (4) encourage truckmen to buy hogs in the country and "protect" them in such purchases; (5) absorb truck-in charges on hogs purchased; (6) pay telephone tolls on calls from patrons desiring to know prices; or (7) keep the local scales accurate and have them fairly and honestly operated. Definite information, naturally, was not generally available on several of the above items.

Operators of Illinois local markets, for the most part, say they do not buy hogs in the country,—that they will bid on them only at the local yard. They or their assistants, however, do much country driving, getting acquainted with farmers, locating good hogs, maintaining contact with owners, estimating weights, indicating the price on that day's market, etc.; in short, soliciting business. One operator said definitely that he did not buy in the country, but a few minutes later, in speaking of his assistant, said: ". . . is an awfully good man in the country with farmers, but when he gets to bidding on stuff he just never knows when to stop." Country buying at the farm is definitely linked with competition for volume, such competition becoming increasingly keen where local markets are numerous or the hog population sparse. Where country buying develops, livestock farmers are likely to find themselves facing the old system of country stock buyers, the system that cooperative shipping associations were believed to have supplanted fifteen years ago, in which dealings were on a trading basis and there was no certainty as to the local price.

Uniform treatment of patrons is not universal. The general impression is that many local markets (perhaps a majority, especially of the smaller yards) find it advisable to "take care of" key stockmen in their respective territories. One well-known stockman said that whenever he had a good-sized load of hogs ready to go all that he had to do was to trade a little with the local market operator and he could get practically the terminal market price at the local point.

As to the truck situation, truckmen prefer long-haul business to a terminal market rather than short-haul business to a nearby local point, the gross income from the longer hauls being larger. Some truckmen, tho delivering hogs at a local market, complain vigorously because the owner does not allow them the longer haul. Consequently many local market operators have recognized the necessity of adopting measures that would develop a favorable attitude by truckmen.

In Iowa it is commonly reported that local markets pay more to truckmen or to country buyers than they would pay to producers for the same hogs. Some local market operators, however, deny this practice. But a well-informed Iowa stockman said in January, 1933, that tho he trucked his own hogs to a certain local market and sold them there, his neighborhood truckman would receive a "cut" of 15 cents a hundredweight on those same hogs altho he had had nothing to do with them.

The development of this system of "cuts" to truckmen puts continuous pressure on producers to sell at the farm,[1] truckmen and buyers telling owners that they—the truckmen and buyers—can get more for the hogs at the market than the owners can, and hence that they can pay more for them at the farm than farmers can net by taking them to the market point. Iowa packer and market operators justify this system on the ground that it brings in a supply of hogs every day, since truckmen and local buyers earn an income only as they keep hogs moving; whereas stockmen may be irregular in their marketing. Numerous Iowa packers apparently prefer that stockmen do not build up their own marketing organizations.

One Illinois local market advertised that it would pay tolls on any telephone calls from stockmen who had hogs for sale and who wanted to know their prices for the day. The manager of another local market

[1]A pertinent comment on this point is the following: "In some communities, truckers are buying livestock from farmers. This is a step backward, from a system of organized marketing through shipping associations to a country buyer system, which has many weaknesses from the standpoint of the producer of livestock. In bargaining with a buyer, the farmer, lacking knowledge of the market values, is at a distinct disadvantage. Furthermore, when the trucker has a load composed of livestock he has purchased in the country as well as livestock consigned to the market by farmers, there is an opportunity for the switching of livestock to the benefit of the trucker. This might be prevented by carefully marking animals in loads involving plural ownership, and the use of written agreements between the producer and the trucker in which the livestock is listed and the commission firm to which it is consigned, is indicated." Johnson, E. C. and E. A., Minn. Agr. Exp. Sta. Bul. 278, 1931, p. 28.

said he paid the telephone charge if he got the hogs; that toll calls were seldom made unless the producer had hogs ready to go, and that he usually got them.

Thus the buying practices in effect at local livestock markets are varied and confusing, to say the least, and some of them are obviously unfair. The situation with respect to accuracy of scales and reliability of methods of weighing hogs at these markets, since it is a matter affecting the whole hog-raising and meat-packing industry, is discussed in Part III on pages 503-508.

PART II. HOG PRICES AT LOCAL LIVESTOCK MARKETS IN ILLINOIS

One of the objectives of this study was to present an analysis of the hog prices reported paid to stockmen at those Illinois local markets at which daily hog-price quotations were available, the local prices to be stated as variants from comparable prices at the terminal market to which each is normally tributary.

In any comparison of local market price reports and terminal market price reports, it must be remembered that the local market reports are often not so reliable as the terminal reports. The local market prices, as far as they are reported, are reported by the market operator. It is to be expected that he will want them to appear favorable. The situation is necessarily different from that on the terminal markets. There trained market reporters, with no financial interest in either the buying or the selling, make a business of preparing complete and accurate reports.

Reporting Prices at Local Markets

In Illinois no single agency collects price information from local livestock markets and consolidates these reports into a single local market quotation representative of the state. The local market prices can only be obtained from each market, day by day, or from the local press, where daily quotations are published. A similar condition apparently obtains in Indiana and Ohio.

In Iowa the U. S. Bureau of Agricultural Economics established an office at Des Moines on July 1, 1930, and placed it in charge of Mr. W. O. Fraser, one of the Bureau's experienced and able market reporters. Altho the primary purpose in requesting the establishment of the Des Moines office, so far as most packers were concerned, was for the tabulation and publication of reliable data on the volume of hogs moving direct at the various interior points, yet in addition to furnishing these data, the Des Moines office has rendered excellent service in publishing hog prices at Iowa local markets. Operators say that as a result of this service, prices at the various Iowa points tend to be more uniform now than they were previously.

Difficulties are involved, however, when one attempts to combine prices from several different markets into a single report. Aside from the matter of weight classifications and variations in sortings, there is the problem of the range of price to be quoted as well as of the top price to be listed for each weight class. In considering the daily prices as released by the Des Moines office[1] one must remember that they are a combination of the prices in effect at ten or twelve (or possibly twenty) separate points, prices not being printed for specific interior buying points.[2] The daily receipts reported include movements of hogs at 22 concentration points and at 7 interior packing plants.

This pertinent statement is made by Dr. Elwyn L. Cady of the Iowa State College regarding the Bureau of Agricultural Economics (Des Moines) reports covering hog sales at interior markets: "In formulating the price ranges, out-of-line prices being paid at one or two remote stations and on special order are not quoted. The prices which seem to be abnormally low in comparison with the general price level are not published."[3]

A comparison was made by the writer of the range in price for good–choice hogs, by weight groups, as reported at Des Moines and at Chicago for two market days—January 30 and February 1, 1933. Any other two days' markets would have served the same purpose. As a quantitative measurement, two days' prices may be insufficient, but as an illustration of the difference in the two market reports they are satisfactory.

Weight of hogs	*Price range quoted at—*			
	Chicago		*Des Moines*	
	Jan. 30	*Feb. 1*	*Jan. 30*	*Feb. 1*
	cts.	*cts.*	*cts.*	*cts.*
140–160 lbs.	.15	.15	.50	.50
160–180 lbs.	.10	.15	.35	.30
180–200 lbs.	.10	.10	.25	.25
200–220 lbs.	.10	.15	.25	.25
220–250 lbs.	.15	.15	.35	.35
250–290 lbs.	.20	.20	.40	.30
290–350 lbs.	.20	.20	.35	.40

Except for three instances (once on 200-220, once on 250-290, and once on 290-350 pound hogs) the Des Moines range was twice to three times as wide as the Chicago range. Obviously during seasons when there is less spread in prices, the difference in range should be less.[4]

[1]The Des Moines office obtains the price data daily from selected interior points, by telephone or telegraph. Quotations cover transactions up to 10:30 a.m. of that day.

[2]In the regular mimeographed daily livestock market report of the Bureau of Agricultural Economics.

[3]Cady, E. L., "The Development of Direct Marketing of Hogs in Iowa," doctor's thesis, Iowa State College, 1933, p. 248.

[4]These statements are not to be interpreted as a criticism of the work of the field office of the Bureau of Agricultural Economics at Des Moines. The question is whether stockmen can estimate a probable sale price as readily from a wider-range market report as from one of narrower range.

Conditions in Illinois, Indiana, and Ohio have not called for the establishment of Bureau field offices. If, later, conditions should indicate the need of daily hog price reports from country points, arrangements could doubtless be made to secure such reports (subject to such qualifications as the Bureau might deem necessary), clearing the Illinois and Indiana reports thru a Chicago office. Ohio reports could be cleared thru one of the terminal markets or collected at a central point and relayed to the Chicago office. Under no circumstances is the accurate reporting of hog prices at a series of local markets a simple undertaking. The problem of securing satisfactory local market price data is not peculiar to Illinois. Professor Paul L. Miller of Iowa State College wrote in 1931: "We find it extremely difficult to get any relative price statement . . . . at country points. We have, of course, packers' quotations at bidding points, but except for a general comparison they do not mean a great deal."[1] One may fairly assume that his statement referred to Iowa conditions previous to the effective organization of the federal service at Des Moines, but it is relevant to many sections now.

Under existing conditions it is important to the entire hog producing industry to have dependable information on hog prices at local markets.

Assembling Price Data

Newspapers Only Source of Local Market Data.—The only daily hog-price reports available were in the form of quotations published in local newspapers. Of the marketing points listed in Table 3, daily papers were published only at Bloomington, Charleston, Danville, Decatur, Galesburg, and Paris, the newspapers being the Bloomington *Daily Pantagraph,* Charleston *Daily Courier,* Danville *Commercial News,* Decatur *Review,* Galesburg *Daily Register-Mail,*[2] and the Paris *Daily Beacon-News.* The yards to which these quotations applied were, respectively:

Bloomington.................................Bloomington Stock Yards
Charleston...................................Whiting Bros. Stock Yard
Danville.......................................Danville Union Stock Yard

[1]Miller, P. L., "Relation of Direct Marketing to the Determination of Prices," in "American Cooperation," 1931, Vol. 2, p. 109.

[2]The Galesburg *Daily Register-Mail* carries daily hog-price quotations for two local markets—the Burlington Yards and the Santa Fe Stock Yards. Comparison of the two quotations over a considerable period showed only minor variations. The Burlington Yards were first in date of establishment and their quotations are therefore used in this study.

Decatur............................Decatur Live Stock Company
Galesburg..........................Burlington Yards
Paris..............................Whiting Bros. Stock Yard

Quotations from the respective local papers were tabulated and analyzed, as were the daily quotations from the Chicago office of the Bureau of Agricultural Economics and from the Indianapolis *Daily Livestock Journal.* The price data from the respective local and terminal markets were then compared in order to determine price differentials, i.e., the terminal market price less the local market price for each weight of hogs.

Regarding the local market price data, the following conditions were assumed:[1]

1. That hog-price quotations were published just as furnished to the newspaper by the local market operator.[2]

2. That the newspaper changed its printed quotations promptly whenever the market operator reported price changes; also, that the operator reported price changes as they occurred.

3. That the market operator reported to the newspaper the prices actually paid that day. (One operator said, in this connection: "This is a private business; we don't tell them all that we do.")

4. That prices were paid consistently, grade for grade and weight for weight, without regard to ownership.

5. That sorting and grading was, at least in general, comparable with that at the terminal market.

6. That weights were accurate.

Weights Selected for Analysis.—A fundamental difficulty in analyzing livestock prices is the range in prices and weights usually encountered in market quotations. It was believed, for this study, that more satisfactory comparisons of local and terminal prices could be developed by selecting certain definite weights for price determination, rather than by using price ranges as applied to weight ranges. It was decided to compare prices for good-to-choice hogs of 150-, 180-, 200-,

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[1]It is recognized, however, that each of these conditions may not be continuously true of all six local markets.

[2]Several times while the writer was visiting local markets the local market report was transmitted to the local newspaper by telephone. In no instance was a representative of the newspaper known to come to the yards for the market report. Since several of the markets posted their prices on a bulletin board in the yard office, it would seem that it would have been easy for a newspaper representative to get the data there, first hand, as well as to pick up news items of interest.

250-, and 300-pound weights (realizing that 180-, 200-, and probably 220-pound hogs were likely to be quoted close together much of the time). Specific prices were therefore worked out for these particular weights by taking the daily market reports of the Bureau of Agricultural Economics for Chicago and using these in conjunction with actual sales data from one of the largest sales agencies on the Chicago market. The reported range in price in relation to range in weight was broken down in order to arrive at an accurate price for each of the specific weights mentioned above. Likewise for the Indianapolis market the daily quotations as published in the Indianapolis *Daily Livestock Journal* were used in conjunction with actual sales data from one of the largest sales agencies on that market.

The price data for the different local markets were handled similarly, the Chicago price-weight relationship being applied to those in the Chicago territory, and the Indianapolis price-weight relationship being applied to those in the Indianapolis territory.

Because of the wide variations in the sorting and pricing of sows, it was deemed practicable to compare top sow prices only.

For each of the six local markets for which daily quotations were published, the printed quotation for each of the five representative market days was copied off in a series. Terminal market quotations were handled similarly. In arriving at daily prices by weights, the writer used only 5-cent intervals; if an amount came out in odd cents, the difference was added to the local market price or taken away from the terminal market price in order to avoid any possibility of "shorting" the local markets. If, however, a split nickel occurred two days in succession, the local market was given the benefit on one day and the terminal on the next. It is likely, therefore, that the differentials here reported tend to be understated rather than overstated. Daily price differentials were then figured for each weight. Both weekly (five-day) and monthly average price differentials were then derived from the daily differentials. The monthly average differentials are presented in tabular and graphic form in Tables 5 and 6 and Figs. 3, 4, and 5, there appearing to be no advantage in including both monthly and weekly differentials.

Current Newspaper Quotations Checked Against Prices Posted at Yards.—A comparison was also made between prices posted on bulletin boards at several of the yards with corresponding newspaper quotations. These are shown on the following pages.

(1)

Posted at yard		*Newspaper quotation*	
161–225 lbs.	$4.00	160–250 lbs.	$3.90–$4.00
226–235 lbs.	3.95	250–350 lbs.	3.55– 3.90
236–250 lbs.	3.90	100–160 lbs.	3.25– 4.00
251–275 lbs.	3.85	Sows and stags, $2.25–$3.00; top, $3.25	
276–300 lbs.	3.75		
301–325 lbs.	3.65		
326–350 lbs.	3.55		
351–400 lbs.	3.45		
141–160 lbs.	3.75		
121–140 lbs.	3.50		
101–120 lbs.	3.25		
Sows and stags, $2.25–$2.75; top, $3.00			

Here it appears that sows and stags were given a higher top in the newspaper; also that pigs and lights (101-160 pounds) were given an apparently 25-cent higher top. A natural assumption would be that the yard management sought to create a favorable attitude toward their market.

(2)

Posted at yard		*Newspaper quotation*	
250–300 lbs.	$4.85	100–120 lbs.	$4.00
200–250 lbs.	4.75	120–140 lbs.	4.25
160–200 lbs.	4.65	140–160 lbs.	4.35
120–160 lbs.	4.35	160–180 lbs.	4.65
100–120 lbs.	4.00	180–200 lbs.	4.65
Sows	3.50–4.00	200–250 lbs.	4.75
		250–300 lbs.	4.85
		Sows	3.50–4.25

In the above instance the quotations checked well except that sows carried a 25-cent higher top in the newspaper quotation. The single variation might have been an error.

(3)

Posted at yard		*Newspaper quotation*	
180–250 lbs.	$3.00	Top	$3.00
250–260 lbs.	2.95	Bulk	2.75–3.00
260–280 lbs.	2.85	Sows	2.25 down
280–300 lbs.	2.75		
300–325 lbs.	2.70		
325–350 lbs.	2.60		
350–400 lbs.	2.50		
160–180 lbs.	2.90		
140–160 lbs.	2.85		
120–140 lbs.	2.75		
Sows			
250–350 lbs.	2.25		
350–450 lbs.	2.20		
450–600 lbs.	2.15		
600 lbs. up	2.00		

Here the published quotation was so abbreviated as to give no detailed information as to variation in price according to weight.

(4)

Posted at yard		Newspaper quotation	
141–160 lbs.	$3.40	100–160 lbs.	$3.30–$3.45
161–180 lbs.	3.45	160–200 lbs.	3.45– 3.60
181–200 lbs.	3.55	200–275 lbs.	3.60
201–275 lbs.	3.60	275–300 lbs.	3.55– 3.60
276–300 lbs.	3.55	Sows.	2.00– 3.00
301–325 lbs.	3.45		
326–350 lbs.	3.35		
351–400 lbs.	3.25		
Sows (top).	3.00		

Slight variances appeared here, mainly in a condensing of the weight classes.

(5)

Posted at yard		Newspaper quotation	
170–200 lbs.	$4.55	160–180 lbs.	$4.00
200–220 lbs.	4.45	180–200 lbs.	4.55
220–240 lbs.	4.35	220–240 lbs.	4.50
240–260 lbs.	4.25	240–260 lbs.	4.10
260–280 lbs.	4.15	260–280 lbs.	4.00
280–300 lbs.	4.05	280–300 lbs.	3.75
300–325 lbs.	3.90	300–350 lbs.	3.50
325–350 lbs.	3.80	Roughs.	3.00

Here rather wide variance was found, the published quotation being high on two items and low on three. Without knowing the exact conditions nor the views of the yard manager, an outsider cannot assume to explain correctly apparent discrepancies of this sort. The two high items might be listed in order to draw trade; low reports are commonly used only to mislead a competitor.

(6)

Posted at yard		Newspaper quotation	
180–200 lbs.	$4.75	160–180 lbs.	$4.75
200–225 lbs.	4.60	180–200 lbs.	4.60
225–250 lbs.	4.50	200–225 lbs.	4.50
250–275 lbs.	4.35	225–250 lbs.	4.35
275–300 lbs.	4.15	250–275 lbs.	4.15
300–325 lbs.	4.00	275–300 lbs.	4.00
325–350 lbs.	3.85	300–350 lbs.	3.85
140–160 lbs.	4.25	140–160 lbs.	4.25
100–140 lbs.	4.10	100–140 lbs.	4.10
Sows.	3.00–3.50	Sows.	3.00–3.50

In the above instance price quotations check but the weight groups vary somewhat.

The published quotations are believed to be sufficiently dependable, on the whole, to justify their use in this study. Several of the posted and published quotations agreed exactly or practically so. In the tables of monthly average-price differentials (Tables 5 and 6), footnotes call attention to certain instances that appear out of line.

For the Bloomington market, top sow prices only were compared with terminal prices. This was because such frequent and extreme changes occurred in the Bloomington published quotations that it did not appear possible to arrive at definite prices for specific weights of hogs that would be certain to be fair to the market or sufficiently accurate for comparison with other markets. The following quotations from the Bloomington *Daily Pantagraph* will illustrate the extreme changes in quotations:

Sept. 15, 1930

Receipts	400
170–200 lbs	$10.25
200–225 lbs	10.15
225–250 lbs	10.00
250–275 lbs	9.00
275–300 lbs	9.80
150–170 lbs	10.00
130–150 lbs	9.60
130 down	9.25
Sows	7.75 down
Stags	7.75 down

Sept. 18, 1930

Receipts	250
Top	$10.50
Bulk	10.10–10.35
Light sows	8.00 down
Heavy sows	7.75 down
Pigs and lights	9.00–10.25

Oct. 12, 1930

Receipts	125
Top	$10.70
210–300 lbs	10.40–10.70
160–210 lbs	10.15–10.60
120–160 lbs	9.00–10.00
Light sows	8.25 down
Heavy sows	8.00 down
Stags	7.50 down

Oct. 15, 1930

Receipts	200
Top	$10.90
Bulk	10.65–10.80
Pigs and lights	9.50–10.40
Sows	8.25 down

Jan. 5, 1931

Receipts	500
Top	$7.85
Bulk	7.65–7.85
Roughs	6.00 down

Jan. 27, 1931

Receipts	300
Top	$8.00
Lights	7.75–8.00
Medium and mixed	7.35–7.65
Heavy	7.00–7.25
Rough	6.00 down

Feb. 25, 1931

Receipts	250
Top	$7.10
160–220 lbs	6.80–7.10
220–250 lbs	6.50–6.80
250–350 lbs	6.10–6.50
Pigs	7.00 down
Sows	5.25 down

May 13, 1931

Receipts	400
Top	$7.00
160–200 lbs	6.90–7.00
200–250 lbs	6.50–6.90
250–300 lbs	6.30–6.50
Pigs and lights	6.50–6.75
Sows	5.25 down

May 14, 1931

Receipts	200
Top	$6.90
Bulk	6.60–6.90
Pigs and lights	6.50–6.75
Roughs	5.50 down

Since the 1930 Decatur quotations continued unchanged for weeks at a time, no 1930 differentials for Decatur are included in Table 5 and Fig. 3. Fig. 2 shows how misleading such data would be. If the terminal market price is used (in this instance, Chicago) as the base and the local market price is expressed as a variant from the terminal market price, then when the local price is unchanged day after day, the price differential merely reflects fluctuations in the terminal or base price. While the data indicate that the Decatur price was 60 cents or more above Chicago, it is obvious that a local market would not pay a price higher than that at the terminal market with which it competes; nor would it receive many hogs if it attempted to buy them a dollar a hundred pounds under the terminal price when the expense of putting the hogs into that terminal was but half that amount.

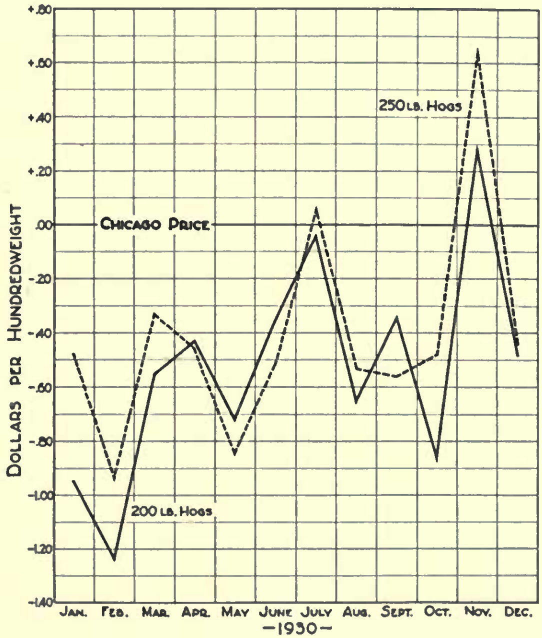

FIG. 2.—DIFFERENCES BETWEEN CHICAGO HOG PRICES AND PUBLISHED DECATUR PRICES FOR 200- AND 250-POUND HOGS, 1930

This chart illustrates what happens when local quotations are carried without change for weeks at a time—the resulting differentials between local and terminal prices simply reflect changes in the terminal market price. A local market price such as is shown in November, 1930—sixty cents above the terminal—is obviously an unlikely situation.

Differences Between Terminal and Local Market Prices

As to price differentials for the various local markets, Bloomington, Decatur, and Galesburg prices were compared with Chicago prices because stockmen in those areas normally patronize the Chicago market (Table 5 and Figs. 3, 4, and 5). Charleston, Danville, and Paris prices were compared with prices at Indianapolis because stockmen in these areas send their hogs mainly to the Indianapolis market

TABLE 5.—DIFFERENCES BETWEEN CHICAGO UNION STOCK YARDS AND THREE ILLINOIS LOCAL LIVESTOCK MARKETS IN AVERAGE MONTHLY PRICES OF GOOD TO CHOICE HOGS OF SPECIFIED WEIGHTS
(Cents per hundredweight, Chicago price minus local market price)

Local markets studied	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Yearly average[1]
							150-pound hogs							
Decatur[5]	1931	.44	.39	.52	.52	.62	.57	.44	.54	.62	.63	.42	.35	.50
	1932	.40	.45	.55	.56	.47	.32	.49	.48	.59	.39	.27	.24	.43
Galesburg	1930	.24	.17	.24	.26	.43	.34	.33	.35	.45	.30	.40	.44	.33
	1931	.24	.30	.37	.36	.47	.36	.18	.41	.44	.46	.36	.44	.37
	1932	.41	.37	.31	.42	.36	.20	.35	...	.55	.38	.36	.35	.37
							180-pound hogs							
Decatur[5]	1931	.48	.46	.47	.50	.51	.52	.47	.61	.58	.52	.31	.28	.48
	1932	.26	.29	.38	.43	.42	.35	.43	.47	.56	.44	.33	.24	.38
Galesburg	1930	.21	.18	.20	.23	.22	.23	.31	.27	.28	.29	.29	.32	.25
	1931	.31	.21	.23	.23	.24	.26	.23	.25	.28	.35	.30	.29	.26
	1932	.26	.27	.25	.29	.31	.31	.30	.27	.27	.31	.35	.26	.29
							200-pound hogs							
Decatur[5]	1931	.48	.47	.48	.46	.45	.51	.50	.59	.63	.55	.36	.34	.48
	1932	.31	.33	.40	.48	.46	.39	.48	.46	.50	.45	.38	.28	.41
Galesburg	1930	.25	.20	.19	.22	.25	.25	.28	.31	.29	.31	.31	.29	.26
	1931	.31	.26	.26	.24	.26	.28	.26	.28	.29	.36	.30	.29	.28
	1932	.30	.30	.27	.32	.33	.31	.29	.30	.30	.30	.32	.28	.30
							220-pound hogs							
Decatur[5]	1931	.48	.48	.52	.54	.52	.55	.54	.65	.58	.58	.36	.42	.52
	1932	.32	.34	.40	.51	.50	.45	.57	.49	.41	.46	.40	.28	.43
Galesburg	1930	.32	.26	.19	.23	.27	.28	.25	.36	.32	.29	.28	.30	.28
	1931	.35	.25	.23	.25	.29	.31	.28	.31	.32	.35	.31	.30	.30
	1932	.29	.28	.23	.29	.31	.33	.33	.33	.31	.30	.31	.30	.30
							250-pound hogs							
Decatur[5]	1931	.52	.42	.49	.48	.50	.55	.45	.58	.65	.55	.38	.52	.51
	1932	.35	.31	.41	.55	.56	.51	.59	.44	.36	.47	.48	.39	.45
Galesburg	1930	.36	.29	.36	.30	.34	.32	.28	.41	.30	.23	.26	.28	.31
	1931	.34	.24	.25	.25	.29	.33	.29	.33	.36	.32	.32	.33	.30
	1932	.29	.31	.28	.34	.34	.32	.31	.33	.30	.30	.32	.30	.31
							300-pound hogs							
Decatur[5]	1931	.50	.52	.64	.38	.63	.58	.55	.91	.78	.86	.70	.69	.66
	1932	.54	.45	.52	.64	.65	.60	.58	.45	.31	.49	.53	.46	.52
Galesburg	1930	.33	.26	.30	.30	.32	.33	.25	.42	.37	.38	.28	.26	.32
	1931	.27	.28	.23	.24	.27	.27	.22	.32	.30	.34	.34	.36	.29
	1932	.30	.29	.26	.38	.35	.31	.28	.30	.31	.35	.28	.26	.31
							Sows[2]							
Bloomington	1930	.90	1.16	.94	1.09	1.21	1.09	1.13	1.24	1.21	1.26	.86	.68	1.06
	1931	.75	.83	.94	.69	.78	.97	1.06	.78	.74	.81	.42	.45	.77
	1932	.42	.46	.66	.47	.62	.79	.80	.70	.75	.60	.63	.34	.60
Decatur[5]	1931	.79	.77	.86	.74	.80	1.03	1.08	1.23	1.09	1.52	1.06	.50	.96
	1932	.52	.55	.61	.47	.60	.78	1.15	.90	.77	.70	.69	.40	.68
Galesburg	1930	.66	.62	.40	.39	.34	.34	.39	.53	.49	.53	.48	.38	.46
	1931	.50	.31	.41	.19[3]	.26[4]	.40	.30	.41	.37	.39	.35	.30	.36
	1932	.34	.28	.38	.34	.43	.35	.32	.31	.35	.36	.32	.26	.34

[1]Calculated as a simple average of the monthly differentials. For comparison yearly averages were also calculated by averaging weekly differentials, but the differences between the figures obtained by the two methods were so slight that monthly differentials were used, they being more readily determined.

[2]Top prices quoted on sows were used, both for Chicago and for each local market.

[3]Owing to an apparent slight change in Chicago sow quotations April 6 to 15, 1931, no differentials were included for 11 days in April. An unchanged sow top was quoted for Galesburg for March 27 to April 13, 1931.

[4]On May 21, 1931, Galesburg quoted $5.75 as the sow top, the same as quoted at Chicago. On May 22 the Galesburg sow top was listed at $5.40, the same as at Chicago.

[5]Decatur 1930 data not included for reasons explained on pages 464-465.

TABLE 6.—DIFFERENCES BETWEEN INDIANAPOLIS AND FOUR ILLINOIS LOCAL LIVESTOCK MARKETS IN AVERAGE MONTHLY PRICES OF GOOD TO CHOICE HOGS OF SPECIFIED WEIGHTS

(Cents per hundredweight, Indianapolis price minus local market price)

Local markets studied	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Yearly average[1]
150-pound hogs														
Danville	1930	.65	.60	.76	.77	1.02	1.19	.93	.74	.88	1.26	.75	.87	.87
	1931	.77	.70	.59	.56	.50	.53	.45	.49	.47	.55	.42	.34	.53
	1932	.32	.39	.47	.39	.42	.44	.44	.33	.26	.36	.41	.35	.38
Paris	1930	.45	.39	.36	.46	.55	.55	.44	.40	.45	.49	.53	.58	.47
	1931	.61	.64	.47	.44	.50	.54	.45	.48	.41	.26	.32	.34	.46
	1932	.40	.30	.34	.33	.35	.28	.18	.22	.21	.23	.26	.23	.28
Charleston	1930	.69	.55	.56	.62	.69	.73	.63	.51	.56	.66	.71	.67	.63
	1931	.63	.55	.55	.54	.61	.62	.56	.55	.50	.50	.47	.44	.54
	1932	.49	.49	.57	.60	.59	.52	.42	.48	.50	.45	.46	.45	.50
Decatur[2]	1931	.61	.45	.38	.50	.62	.68	.55	.52	.60	.59	.58	.51	.55
	1932	.55	.46	.52	.51	.52	.47	.47	.44	.51	.38	.38	.36	.46
180-pound hogs														
Danville	1930	.32	.22	.32	.28	.33	.39	.39	.36	.39	.62	.57	.62	.40
	1931	.34	.39	.49	.35	.28	.29	.33	.36	.30	.32	.31	.23	.33
	1932	.20	.18	.21	.22	.24	.26	.24	.22	.22	.24	.22	.18	.22
Paris	1930	.25	.24	.29	.35	.40	.38	.38	.38	.37	.35	.39	.36	.34
	1931	.32	.36	.35	.36	.32	.35	.37	.34	.33	.35	.36	.36	.35
	1932	.36	.32	.29	.28	.33	.32	.33	.29	.26	.23	.24	.22	.29
Charleston	1930	.47	.46	.52	.52	.53	.53	.54	.54	.51	.50	.54	.50	.51
	1931	.47	.50	.50	.50	.50	.49	.50	.50	.46	.45	.45	.40	.48
	1932	.39	.40	.40	.39	.40	.40	.40	.44	.41	.38	.34	.30	.39
Decatur[2]	1931	.66	.64	.62	.62	.58	.67	.67	.57	.57	.62	.55	.43	.60
	1932	.47	.40	.40	.37	.35	.38	.43	.42	.41	.37	.36	.34	.39
200-pound hogs														
Danville	1930	.29	.28	.38	.36	.41	.44	.38	.37	.40	.57	.46	.40	.40
	1931	.35	.50	.32	.39	.29	.28	.28	.28	.26	.28	.32	.27	.32
	1932	.26	.20	.23	.23	.25	.29	.24	.23	.21	.22	.24	.23	.24
Paris	1930	.28	.31	.34	.40	.38	.38	.37	.37	.37	.35	.39	.34	.36
	1931	.33	.37	.36	.37	.35	.35	.38	.31	.33	.31	.31	.27	.34
	1932	.30	.32	.31	.31	.36	.36	.37	.32	.23	.21	.21	.20	.29
Charleston	1930	.48	.53	.54	.57	.53	.53	.54	.54	.50	.50	.54	.50	.52
	1931	.48	.51	.51	.54	.50	.49	.51	.49	.45	.42	.42	.38	.48
	1932	.39	.38	.40	.39	.40	.40	.40	.39	.36	.34	.35	.32	.38
Decatur[2]	1931	.65	.68	.66	.57	.56	.63	.64	.55	.54	.60	.56	.44	.59
	1932	.47	.41	.42	.39	.38	.41	.44	.40	.39	.36	.39	.38	.40
220-pound hogs														
Danville	1930	.36	.34	.39	.34	.48	.48	.32	.30	.47	.56	.38	.31	.39
	1931	.36	.52	.44	.42	.33	.31	.28	.31	.26	.27	.32	.28	.34
	1932	.28	.26	.26	.27	.31	.30	.27	.24	.20	.23	.24	.25	.26

[1]Calculated as a simple average of the monthly differentials. For comparison yearly averages were also calculated by averaging weekly differentials, but the differences between the figures obtained by the two methods were so slight that monthly differentials were used, they being more readily determined.

[2]Decatur 1930 data are not included for reasons stated on pages 464-465.

(*Table is concluded on next page.*)

TABLE 6.—*Concluded*

Local markets studied	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Yearly average[1]
							220-pound hogs (Continued)							
Paris	1930	.32	.35	.33	.37	.38	.38	.35	.34	.37	.35	.39	.36	.36
	1931	.35	.39	.36	.36	.35	.35	.37	.32	.32	.27	.33	.31	.34
	1932	.35	.39	.32	.34	.35	.34	.35	.32	.25	.22	.22	.24	.31
Charleston	1930	.50	.54	.53	.52	.53	.53	.53	.51	.52	.50	.54	.51	.52
	1931	.47	.52	.51	.51	.50	.49	.55	.49	.45	.37	.42	.40	.47
	1932	.47	.44	.45	.46	.41	.43	.42	.43	.38	.35	.40	.37	.42
Decatur[2]	1931	.60	.69	.71	.58	.60	.67	.62	.58	.56	.58	.56	.51	.60
	1932	.55	.50	.49	.46	.42	.44	.45	.43	.38	.38	.39	.39	.44
							250-pound hogs							
Danville	1930	.44	.33	.47	.44	.61	.64	.39	.42	.51	.50	.45	.48	.47
	1931	.44	.52	.48	.45	.40	.33	.36	.39	.20	.24	.30	.31	.37
	1932	.32	.27	.27	.26	.33	.33	.29	.22	.23	.24	.24	.26	.27
Paris	1930	.31	.31	.33	.42	.36	.38	.35	.34	.38	.39	.38	.36	.36
	1931	.34	.39	.36	.36	.35	.37	.35	.33	.31	.27	.31	.31	.34
	1932	.33	.32	.32	.30	.32	.32	.32	.30	.22	.23	.22	.21	.28
Charleston	1930	.49	.55	.56	.62	.52	.54	.51	.51	.53	.51	.54	.51	.53
	1931	.46	.51	.51	.53	.54	.52	.54	.49	.46	.41	.44	.37	.48
	1932	.42	.38	.40	.43	.39	.41	.39	.40	.41	.37	.40	.35	.40
Decatur[2]	1931	.66	.80	.88	.69	.71	.68	.61	.69	.66	.56	.55	.55	.67
	1932	.53	.49	.52	.50	.46	.48	.42	.44	.43	.42	.44	.44	.46
							300-pound hogs							
Danville	1930	.47	.46	.64	.60	.66	.79	.49	.64	.50	.46	.50	.50	.56
	1931	.44	.57	.67	.45	.48	.32	.49	.46	.28	.20	.22	.34	.41
	1932	.36	.36	.34	.29	.35	.35	.31	.24	.24	.25	.26	.27	.30
Paris	1930	.31	.33	.32	.45	.37	.40	.40	.36	.39	.51	.41	.40	.39
	1931	.35	.39	.37	.35	.35	.36	.41	.38	.31	.33	.46	.36	.37
	1932	.36	.31	.34	.24	.32	.36	.33	.27	.24	.26	.23	.28	.30
Charleston	1930	.53	.67	.68	.76	.63	.62	.52	.56	.55	.61	.63	.59	.61
	1931	.56	.53	.52	.52	.51	.51	.50	.46	.47	.52	.48	.40	.50
	1932	.42	.39	.40	.42	.42	.42	.40	.41	.41	.42	.43	.38	.41
Decatur[2]	1931	.67	.69	1.04	.81	.88	.85	.92	1.09	.96	.83	.86	.67	.86
	1932	.61	.57	.62	.58	.57	.60	.50	.47	.49	.51	.52	.52	.55
							Sows							
Danville	1930	.68	.77	.98	1.07	.93	1.01	.91	1.11	1.20	1.60	1.11	.76	1.01
	1931	.76	.84	.83	.68	.64	.76	.79	.77	.63	.56	.46	.43	.68
	1932	.28	.39	.41	.35	.33	.50	.41	.82	.85	.71	.86	.46	.53
Paris	1930	.36	.54	.58	.84	.71	.62	.75	.85	.83	.92	.66	.50	.68
	1931	.65	.41	.72	.67	.04[3]	.59	.81	.74	.35	.41	.26	.33	.50
	1932	.25	.45	.49	.48	.61	.85	.36	.58	.59	.42	.39	.16	.47
Charleston	1930	.96	1.05	1.18	1.26	1.24	1.11	.96	.92	1.08	1.40	1.33	1.13	1.14
	1931	.69	.79	.90	.77	.51	.65	.64	.92	.87	.98	.71	.60	.75
	1932	.49	.48	.58	.55	.53	.85	.70	.63	.54	.42	.76	.41	.58
Decatur[2]	1931	.78	.68	.92	.98	.69	.89	.79	.99	.84	.92	.61	.54	.80
	1932	.42	.50	.60	.52	.49	.74	.90	.75	.72	.63	.66	.45	.62

[1]Calculated as a simple average of the monthly differentials. For comparison yearly averages were also calculated by averaging weekly differentials, but the differences between the figures obtained by the two methods were so slight that monthly differentials were used, they being more readily determined.

[2]Decatur 1930 prices are not included for reasons stated on pages 464-465.

[3]This suprisingly low differential is explained by the fact that during the month of May, 1931, top sow prices as published for the Paris market were quoted as equal to top sow prices at Indianapolis on six days and as 25 cents a hundredweight above the Indianapolis top on seven days.

(Table 6 and Figs. 3, 4, and 5). In calculating these price differentials no consideration has been given to yardage or commission charges assessed either at the terminal or at the local markets. Charges at terminal markets are available in published tariffs; information regarding these items at Illinois local markets is given in Table 3.

Chicago and Local Markets.—A striking consistency is shown in Table 5 in the indicated Galesburg average yearly price differentials for all three years for each weight listed. Only in sows was the indicated differential appreciably lower in 1931 and 1932 than in 1930. These data represent Galesburg prices as comparatively close to those of Chicago during each of the three years.[1]

At Decatur on all weights the indicated average yearly differentials were materially less in 1932 than in 1931, the differential on top sow prices being 28 cents nearer Chicago in 1932. The Bloomington yearly averages (sows only) showed a narrowing of 29 cents a hundred from 1930 to 1931 and of 17 cents a hundred from 1931 to 1932.

Indianapolis and Local Markets.—The indicated yearly average differentials for the local markets in the Indianapolis territory (Table 6) showed definitely narrower differentials at the Danville Union Stock Yard both from 1930 to 1931 (7 to 34 cents) and from 1931 to 1932 (8 to 15 cents) on all groups of hogs. Paris showed relatively little change, except on sows, from 1930 to 1931, but appreciable narrowing on nearly all groups from 1931 to 1932 (3 to 18 cents). Charleston margins narrowed on all groups for both periods, its 1930 margins having been wider than those at the other two points. Decreases from 1930 to 1931 ranged from 3 to 39 cents; from 1931 to 1932, from 4 to 17 cents. Freight rates from Charleston to eastern points average about 5 cents a hundredweight higher than from Paris.

Decatur differentials in 1931 and 1932 were included in Table 6 for two reasons: (1) for comparison with the three local markets regularly in competition with the Indianapolis market; (2) for comparison between the two groups of markets, the difference between the Chicago-Decatur and Indianapolis-Decatur differentials representing approximately the difference between Chicago and Indianapolis.

Indicated monthly differentials for Decatur showed an apparently wider margin taken on sows and on 300-pound hogs than on other weights. This may be justifiable on weights of hogs of which few

[1]The manager of the Galesburg Order Buyers (Burlington Yards), said to the writer late in 1931: "I am not interested in cheap hogs, but I am interested in volume and in good hogs. Consequently I aim to keep my prices as close to Chicago prices as conditions will permit, expecting that to bring me a sufficient volume of the right kind of hogs."

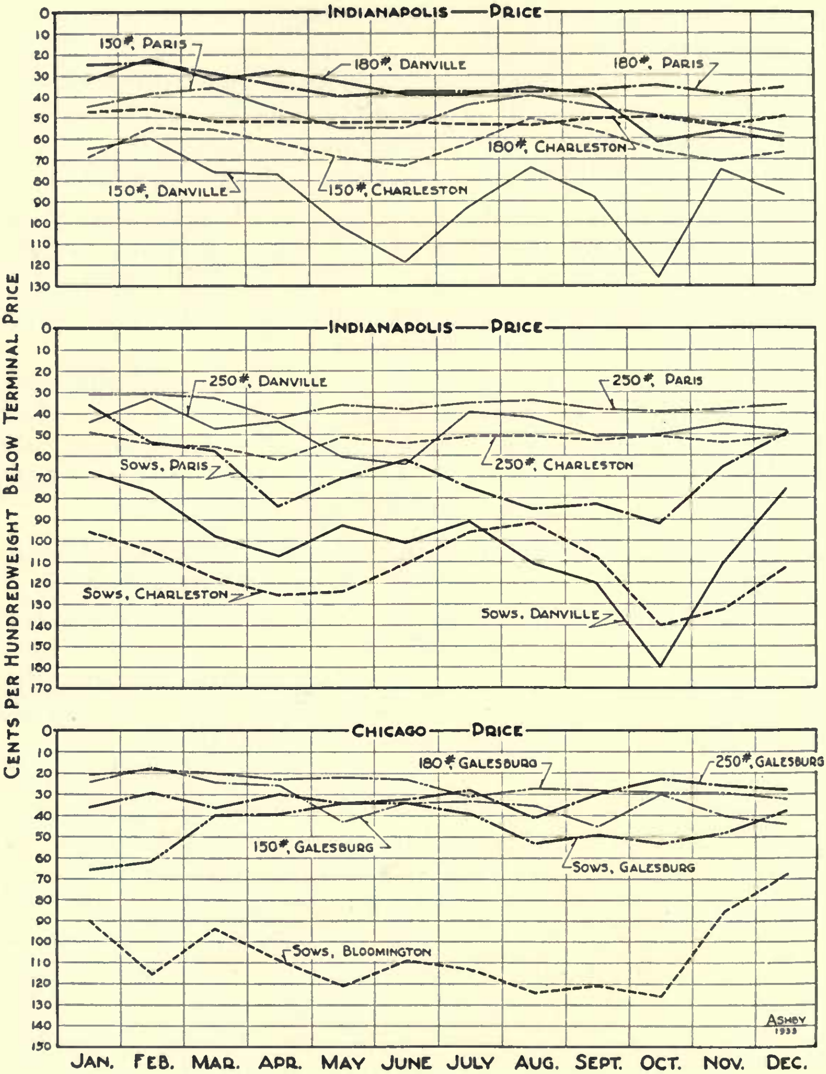

FIG. 3.—DIFFERENCES BETWEEN HOG PRICES AT ILLINOIS LOCAL MARKETS AND AT TERMINAL MARKETS, 1930

It will be noted that the differentials varied rather widely both as between local markets and between specific weights of hogs at the same market.

are handled daily, this explanation being more applicable to a small market than to a larger one.

The Danville data indicated wider margins taken on 150- and 300-

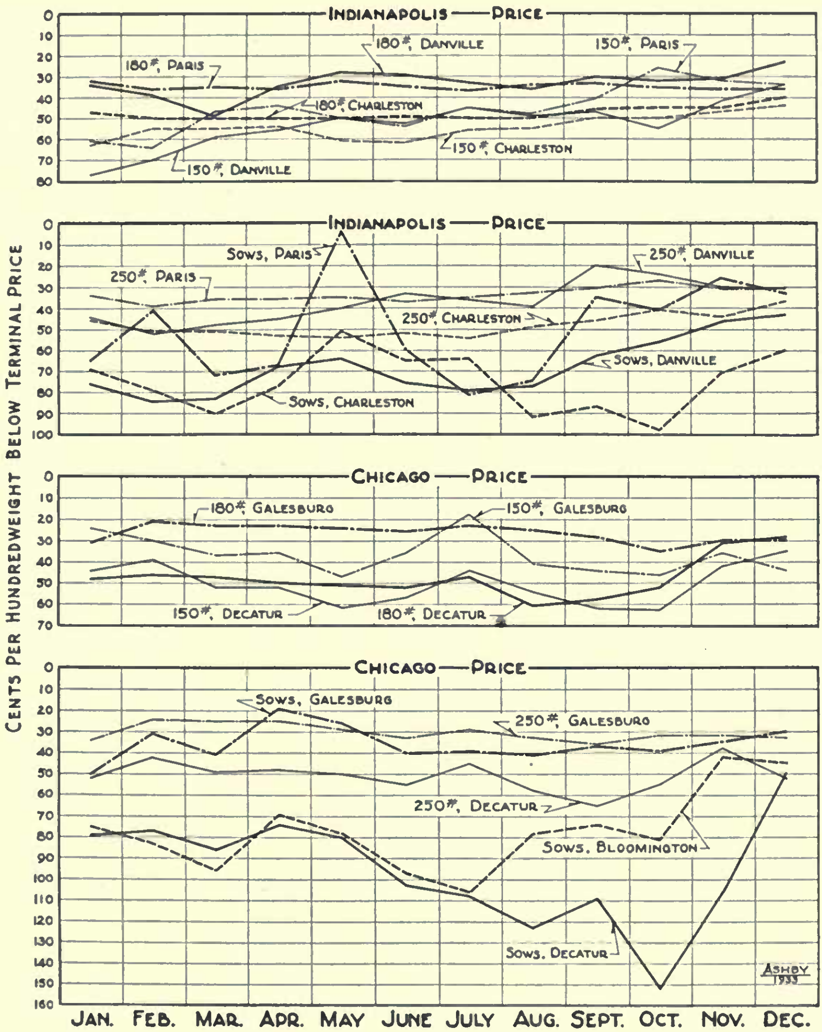

FIG. 4.—DIFFERENCES BETWEEN HOG PRICES AT ILLINOIS LOCAL MARKETS AND TERMINAL MARKETS, 1931

Price differences were narrower in 1931 than in 1930. By referring to Fig. 5 it will be noted that they tended to be still narrower in 1932 than in 1931.

pound hogs and on sows. Paris data indicated a relatively wider margin taken on 150-pound hogs during 1930 and 1931, and on sows in all three years. Charleston data indicated relatively wider margins on 150-pound hogs and on sows in all three years and on 300-pound hogs the first two years.

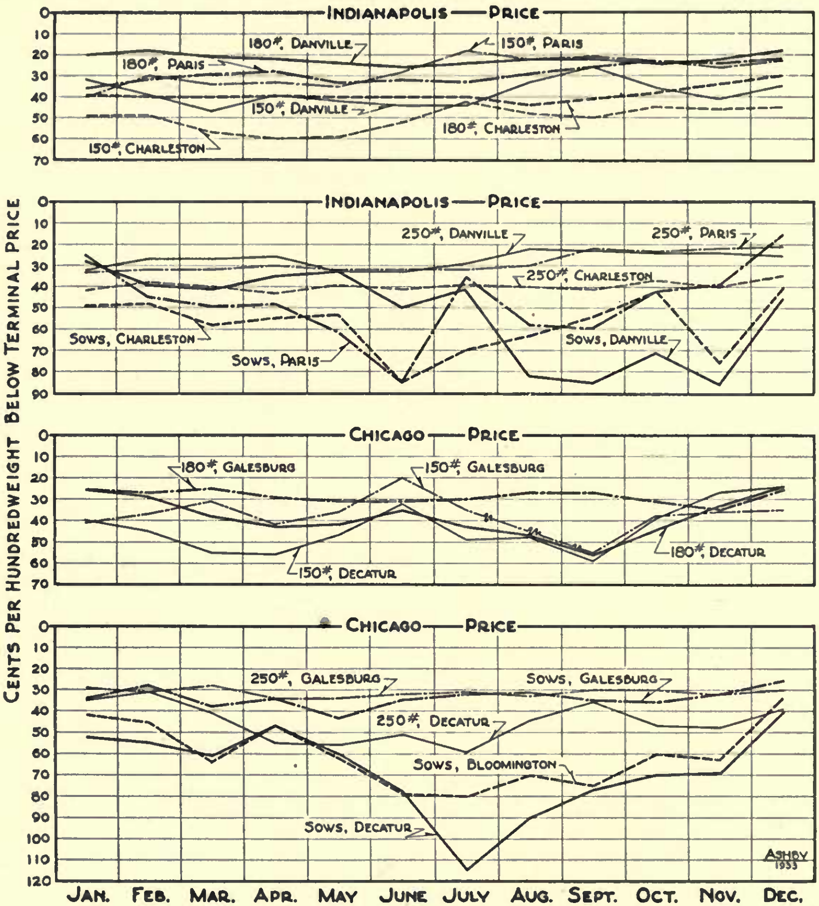

FIG. 5.—DIFFERENCES BETWEEN HOG PRICES AT ILLINOIS LOCAL MARKETS AND TERMINAL MARKETS, 1932

Prices in 1932 not only tended to be more uniform as between specific weights of hogs, but for the most part were nearer the terminal market prices than in 1931.

Indianapolis-Chicago Price Relations.—In this connection the relationship between Indianapolis and Chicago hog prices is of interest. In 1928, 1929, and 1930 Indianapolis prices tended to be higher than Chicago prices tho the difference was less in 1930.[1] In 1931 and 1932 Indianapolis prices weakened in comparison with Chicago.[2] Indeed

[1]Norton, L. J., and Ashby, R. C., "Price Differences Between Four Markets Used by Illinois Stockmen," Ill. Agr. Exp. Sta. Bul. 380, 1932, pp. 143-147.
[2]Forty-Sixth Annual Report, Ill. Agr. Exp. Sta., 1933, pp. 193, 194.

the Indianapolis price on 180-200-pound hogs was lower than the Chicago price during much of 1932, and a similar situation continued in 1933. At times Indianapolis has even been lower than East St. Louis. When Indianapolis prices are lower than Chicago prices, local markets buying on the Indianapolis base have the advantage in selling to eastern packers over those local markets buying on the Chicago base. The reverse would, of course, be true when the Chicago prices were lower than the Indianapolis prices.

Factors That Have Tended to Narrow Price Differences

It has been noted that Danville and Charleston showed a sharp narrowing in their margins below Indianapolis, whereas Paris margins showed only moderate change. Two possible causes for these changes suggest themselves: (1) local competition; (2) increased terminal market competition thru the reduction of truckage rates and a consequent lowering of the cost of marketing hogs at Indianapolis.

As to the first cause, both a local packing company and a local cooperative shipping association had operated at Paris for several years and continued to operate after the Whiting Bros. Yard began business, the shipping association continuing until it was succeeded by a local cooperative stockyard in October, 1932. Whether Whiting Bros. found it desirable to seek the patronage of shipping association members and paid strong prices to that end, or whether the local packing company caused the active competition, is not known. It is clear that the shipping association would reflect to its patrons constantly the Indianapolis price less actual marketing expense. The Charleston yard, on the other hand, had no active local competition. The community had formerly maintained a local cooperative shipping association but it was in a moribund state. During 1930 the Danville Union Stock Yards' principal competition was a local packing plant. It is doubtful, however, whether the packing plant furnished very active competition, for according to reliable information the owners of the packing plant were also interested in the Union Stockyards. In the fall of 1930 the Vermilion County Livestock Marketing Association opened a cooperative yard at Danville and within a few months was furnishing active competition. Since the volume handled by the cooperative yard increased steadily, it may be regarded as being an important factor in bringing Danville hog prices closer into line with Indianapolis.

As to the second cause, extensive information is not available. It is well known that commercial livestock truckage rates have been declining rather continuously since 1927 or 1928. The question here is how much they may have dropped during 1930-1932. The Indianapolis Producers' Commission Association furnished a list of truckage charges on consignments of truck hogs received by them in each of the three years from Vermilion county (Danville) and Edgar county (Paris). While the numbers of consignments were small in the first two years, the data furnish a good indication of what has been happening generally to truckage rates on shipments to the terminal markets. As truckage rates lowered, the volume of livestock trucked has naturally increased rapidly. The figures were:

	Vermilion county		*Edgar county*	
	Truck consignments	*Average truckage charge per cwt.*	*Truck consignments*	*Average truckage charge per cwt.*
Year	*number*	*cents*	*number*	*cents*
1930	10	43.8	12	33.8
1931	18	37.8	35	30.1
1932	30	26.3	102	24.0

Assuming the above figures to be representative, the change in truck rates would have contributed to a narrowing of margins at Danville by 6 and 11 cents and at Paris by 4 and 6 cents.

Again, with regard to local competition. The Decatur yard had no active local competition until the Macon County Livestock Marketing Association began business at Decatur in the fall of 1931. Bloomington had no active local competition during the period under review, its competition being principally that from the Chicago and Peoria markets (the latter particularly by way of truckmen). Galesburg, with two competing stockyards, had active buying competition thruout the three years. In addition the Illinois Livestock Marketing Association opened a branch at Galesburg at the Burlington Yards in June, 1932.

Price differentials occur not only between markets but also between different weights of hogs on the same markets. Local market prices will naturally be nearest the competing terminal price on those weights of hogs that are in greatest demand. If 180-pound hogs are top price, but local receipts contain only 5 or 10 percent of 180-pounders, it is clear that not much extra money will be required to pay what looks like a high price for them. One market operator said that he was supposed to be buying hogs at 30 cents below the competing terminal, and was doing that on certain weights; but that on his total purchase of all weights for the week, the differential would average nearly 40 cents a hundred. It is well-known that most stockmen center their attention on top prices rather than on average prices or on net return on all the hogs that they are actually selling. By receiving top price on a part of their stuff, they are more easily satisfied even tho a wide margin is taken on the remainder.

Frequency of Daily Differences

A different method of presenting local market price data may enable the reader to see more readily the two matters in which stockmen are most interested: viz., (1) the distribution of daily price differentials, and (2) shifts in those distributions from year to year. These data, for good-to-choice 220-pound hogs at the various local markets, are given in Tables 7 and 8 and Figs. 6 and 7. The 220-pound weight was selected because it is a popular and representative market weight and hence furnishes a fair comparison between markets.

The data for Galesburg and Decatur in contrast with Chicago are shown in Table 7. While the 30-cent differential was most common at Galesburg in each of the three years, the spread in size of differentials narrowed in 1931 and again in 1932. This is readily seen by observing the Galesburg data in Fig. 6.

TABLE 7.—DAILY DIFFERENCES BETWEEN CHICAGO UNION STOCK YARDS AND TWO ILLINOIS LOCAL LIVESTOCK MARKETS IN PRICES OF GOOD TO CHOICE 220-POUND HOGS; AND NUMBER OF DAYS EACH DIFFERENCE OCCURRED, 1930, 1931, 1932
(Chicago minus other markets)

Price differences in cents per hundredweight	Number of days differences occurred				
	Decatur		Galesburg		
	1931	1932	1930	1931	1932
0	..	..	1	0	..
5	..	..	7	5	..
10	..	..	8	3	1
15	..	1	11	12	2
20	1	7	32	20	12
25	4	17	54	48	57
30	10	17	63	76	98
35	13	33	36	45	65
40	16	52	23	32	15
45	31	43	6	5	1
50	47	43	1	4	..
55	62	22	1	1	..
60	44	13	..	1	..
65	12	3	..	1	..
70	6	3	..	..	..
75	4	0	..	..	..
80	2	0	..	..	..
85	1	1	..	..	..
90	1	..	..	..	..
95	1	..	..	..	..
Total number of days[1]	255	255	244	255	251

[1]On each market there were usually a few days during the year when the market quotation was omitted from the local newspapers.

TABLE 8.—DAILY DIFFERENCES BETWEEN INDIANAPOLIS AND FOUR ILLINOIS LIVESTOCK MARKETS IN PRICES OF GOOD TO CHOICE 220-POUND HOGS; AND NUMBER OF DAYS EACH DIFFERENCE OCCURRED, 1930, 1931, 1932
(Indianapolis minus other markets)

Price differences in cents per hundredweight	Number of days differences occurred										
	Charleston			Danville			Decatur		Paris		
	1930	1931	1932	1930	1931	1932	1931	1932	1930	1931	1932
5............	..	..	..	..	1	1	..	..	..	..	..
10............	..	..	..	..	3	0	..	..	..	..	..
15............	..	..	..	4	8	15	..	..	..	..	4
20............	..	..	..	9	16	35	..	..	4	7	32
25............	1	3	..	26	48	111	..	1	12	20	44
30............	1	3	7	38	65	73	1	7	36	58	54
35............	1	20	37	44	28	9	2	42	126	115	71
40............	3	36	93	35	29	5	6	63	39	25	34
45............	10	46	88	35	22	1	17	66	21	13	2
50............	118	95	22	25	17	..	38	41	6	0	1
55............	51	33	2	15	12	..	40	19	2	2	0
60............	25	9	..	12	2	..	57	11	..	..	0
65............	3	6	..	5	2	..	37	2	..	..	1
70............	2	1	..	2	2	..	23	..	..	..	..
75............	..	..	..	0	1	..	13	..	..	..	..
80............	..	..	..	2	..	..	13	..	..	..	..
85............	..	..	..	..	..	..	4	..	..	..	..
90............	..	..	..	..	..	..	0	..	..	..	..
95............	..	..	..	..	..	..	2	..	..	..	..
1.00............	..	..	..	..	..	..	0	..	..	..	..
1.05............	..	..	..	..	..	..	0	..	..	..	..
1.10............	..	..	..	..	..	..	1	..	..	..	..
1.15............	..	..	..	..	..	..	1	..	..	..	..
Total number of days[1]........	215	252	249	252	256	250	255	252	246	240	243

[1]On each market there were usually a few days during the year when the market quotation was omitted from the local newspaper.

By far the most common difference between the Charleston and Indianapolis prices in 1930 was 50 cents (Fig. 7). The most common difference at Paris was 35 cents. At Danville the differentials had a wider range. These relationships gradually changed until in 1932 by far the most common difference between Danville and Indianapolis was 25 cents; between Paris and Indianapolis, 35 cents but with a much broader dispersion of differentials than formerly; and between Charleston and Indianapolis, 40 and 45 cents. Whereas the Charleston and Paris 1930 curves exhibit very sharp peaks, with Danville showing a very broad dispersion, by 1932 the Danville curve is sharply peaked, and the Charleston and Paris curves have flattened out considerably, the 1932 Paris curve showing a decided skew to the left. The data in Table 8, which are the same as those shown graphically in Fig. 7, represent the distribution of indicated daily differences between the price of 220-pound hogs at Indianapolis and at the local markets.

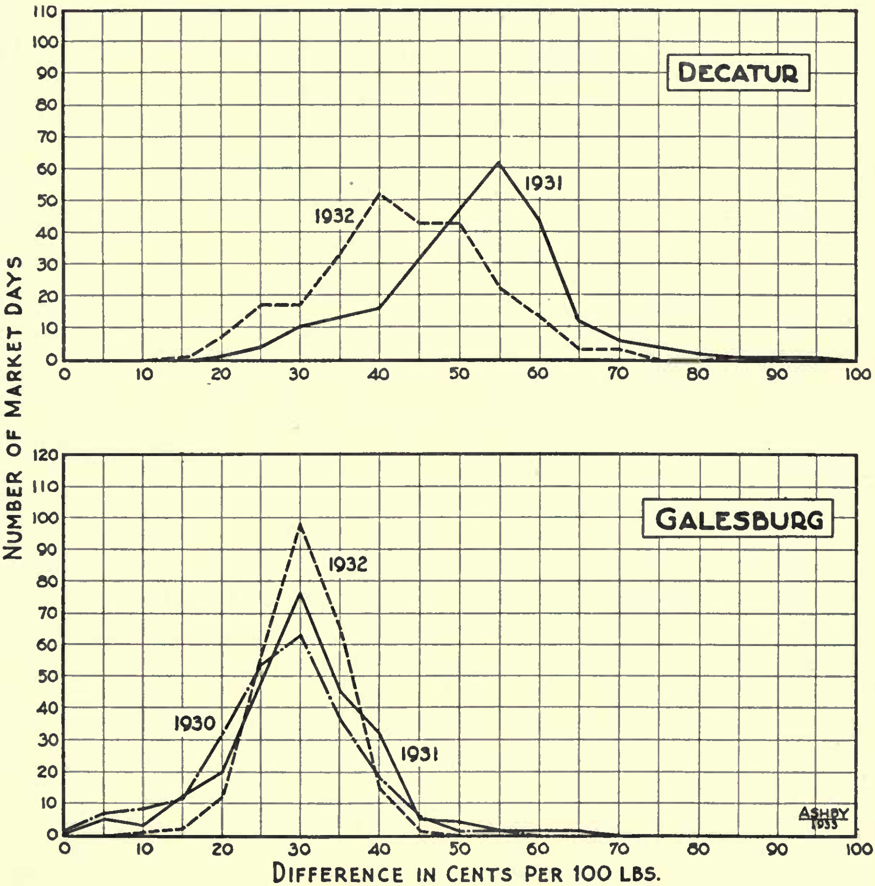

FIG. 6.—PRICE DIFFERENCES BETWEEN TWO ILLINOIS LOCAL MARKETS AND CHICAGO ON 220-POUND HOGS, AND THE NUMBER OF DAYS EACH DIFFERENCE OCCURRED, 1930, 1931, 1932

Decatur price differences were decidedly narrower in 1932 than in 1931. At Galesburg, during each of the three years, a price difference of 30 cents occurred more frequently than any other difference.

Other Statistical Considerations

From a statistical standpoint the presentation of price differentials would be incomplete without indicated measures of central tendency and of range of daily price differentials, for representative weights of hogs, for the different local markets, by years. These are shown in Table 9.

As a measure of central tendency the median was taken as being the value of the class containing the middle item of the distribution.

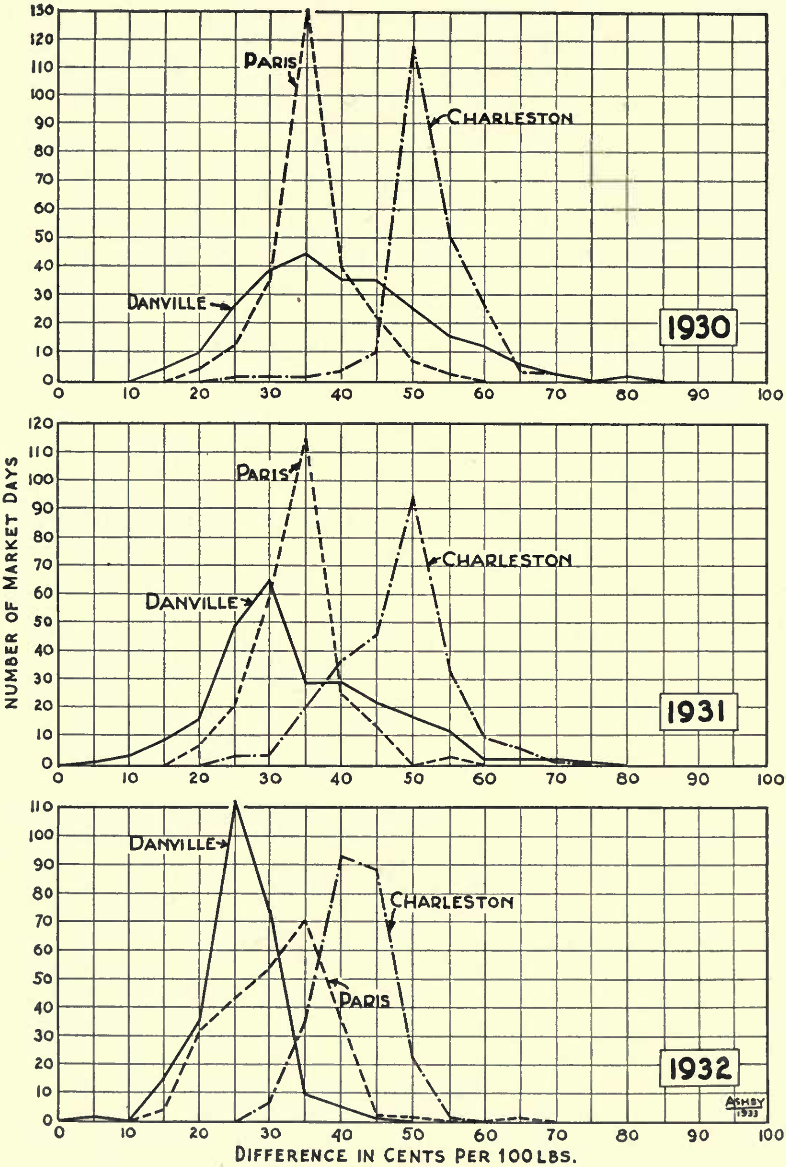

FIG. 7.—PRICE DIFFERENCES BETWEEN THREE ILLINOIS LOCAL MARKETS AND INDIANAPOLIS ON 220-POUND HOGS, AND NUMBER OF DAYS EACH DIFFERENCE OCCURRED, 1930, 1931, 1932

Price differences between the local markets and the Indianapolis market tended to grow narrower over the three-year period, the change being more definitely shown for Danville and Charleston than for Paris, altho at Paris the number of days of lower differences was greatest in 1932.

TABLE 9.—MEDIANS OF DAILY PRICE DIFFERENCES AND COMMON RANGE OF DAILY PRICE DIFFERENCES BETWEEN TERMINAL MARKETS AND LOCAL MARKETS FOR SPECIFIED WEIGHTS OF HOGS, 1930, 1931, AND 1932
(Cents per hundredweight)

	180-pound hogs			200-pound hogs			220-pound hogs			250-pound hogs		
	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932
Medians (daily frequencies)												
Indianapolis and—												
Danville	35	35	20	40	30	25	40	30	25	45	35	25
Paris	35	35	30	35	35	30	35	35	30	35	35	30
Charleston	50	50	40	50	50	40	50	50	40	50	50	40
Decatur	([1])	60	40	([1])	60	40	([1])	60	45	([1])	65	45
Chicago and—												
Decatur	([1])	50	35	([1])	50	40	([1])	55	45	([1])	50	45
Galesburg	25	25	30	25	30	30	30	30	30	30	30	30
Common range (daily differences occurring 10 or more times a year)[2]												
Indianapolis and—												
Danville	(40) 25-65	(35) 15-50	(15) 15-30	(30) 25-55	(30) 20-50	(15) 15-30	(35) 25-60	(35) 20-55	(20) 15-35	(40) 25-65	(35) 20-55	(20) 15-35
Paris	(25) 20-45	(15) 30-45	(15) 20-35	(20) 25-45	(20) 25-45	(25) 15-40	(20) 25-45	(20) 25-45	(20) 20-40	(20) 25-45	(25) 20-45	(15) 20-35
Charleston	(10) 50-60	(15) 40-55	(15) 30-45	(15) 45-60	(20) 35-55	(15) 30-45	(15) 45-60	(20) 35-55	(15) 35-50	(20) 45-65	(25) 35-60	(15) 35-50
Decatur	.... ([1])	(40) 40-80	(20) 30-50	.... ([1])	(35) 45-80	(20) 30-50	.... ([1])	(35) 45-80	(25) 35-60	.... ([1])	(45) 45-90	(25) 35-60
Chicago and—												
Decatur	.... ([1])	(35) 25-60	(40) 20-60	.... ([1])	(25) 35-60	(30) 25-55	.... ([1])	(35) 30-65	(35) 25-60	.... ([1])	(35) 30-65	(30) 30-60
Galesburg	(25) 15-40	(25) 15-40	(15) 20-35	(25) 10-35	(25) 15-40	(10) 25-35	(25) 15-40	(20) 20-40	(20) 20-40	(35) 15-50	(30) 15-45	(15) 25-40

[1]Decatur quotations for 1930 were not used. [2]Upper figure indicates scope of range; lower figures indicate the limits of the range.

The advantage of using the median calculated in this way, rather than the arithmetic mean, is that it does not give undue weight to extreme items which may be due to errors in the data. The midpoint, or central tendency of the distribution, is expressed as an even 5 cents because smaller price divisions did not occur in the original data.

The means of the above distributions are given as the yearly average differentials in Tables 5 and 6. Most of these are expressed in values of less than 5 cents. This could not be avoided if the yearly average differential was to be taken as a simple average of the twelve monthly average differentials. A comparison of yearly averages, obtained by averaging weekly differentials, had shown no material variation from those obtained by averaging monthly differentials for the same year. Use of the means may be of some value in showing slight differences in trend, but because the original data could not be, under existing conditions, refined to a point where odd cents were dependable indexes of existing differentials, too much emphasis should not be put upon their use.

The common range was taken as the range between the highest and lowest classes of the distribution, each containing ten or more items. The use of this range is justified, from a practical standpoint, because it is usually approximately the same as the range included by two standard deviations.

A number of the distributions show a shift from year to year. Where the shift is slight, no change may appear in the value of the median as calculated. Where this is true, the arithmetic mean may be the better measure of central tendency. The degree of shift could also be shown by listing the number of items occurring above and below the class in which the median lies.

Daily Price Fluctuations at Local and Terminal Markets

Prices fluctuate less at local markets than at terminals, according to Nourse and Knapp, who say:

> ". . . . it was more common at each interior market [Iowa and Minnesota] for the same price to continue for two or more days in succession than it was for such stability to occur at any terminal market. . . . The change from one day to the next for the period 1927-1929 was 36 percent of the market days at Austin, 33 percent at Mason City, 47 percent at Des Moines, and 60 percent at Ottumwa. These figures compare with 77 percent at Chicago, 82 percent at Omaha, and 74 percent at Kansas City."[1]

They include a table showing the comparative data in detail.

The daily price quotations for the six Illinois points for which price data have been presented (except the 1930 Decatur quotations referred to above), showed almost no tendency to remain unchanged from day to day. Variations were constantly appearing in prices, in price ranges, in prices in relation to weight classes, or in the distribution of weights within the different weight classes. All these considerations are important, a change in any one of them resulting in a change in the stockman's return even tho the published price should continue unchanged.

But one detailed comparison was worked out in this study, viz., that between the Galesburg and the Chicago quotations for each of the three years (1930, 1931, 1932), on 220-pound hogs (Table 10).

The table shows that Galesburg prices were reported as unchanged for five days in succession on one occasion in 1932; for four days in

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[1]Nourse, E. G., and Knapp, J. G., "The Cooperative Marketing of Livestock," p. 411. The Brookings Institution, Washington, D.C., 1931.

TABLE 10.—NUMBER OF DAYS SAME PRICE WAS QUOTED ON 220-POUND HOGS AT GALESBURG AND AT CHICAGO[1]

Market and year	Number of times quotation remained the same for number of days indicated				
	Same for 1 day	Same for 2 days	Same for 3 days	Same for 4 days	Same for 5 days
Galesburg					
1930	169	27	7	..	..
1931	182	24	7	1	..
1932	155	29	11	..	1
Chicago					
1930	196	27	1	..	..
1931	187	21	7	2	..
1932	171	30	7	1	..

[1]Quotations were available for every market day for Chicago but not for Galesburg.

succession in one instance in 1931; for three days in succession on seven occasions in 1930 and in 1931 and on eleven occasions in 1932. There were over twenty instances in each of the three years when the same price was reported for two days.

The Chicago market reports showed three instances of the same price holding for four days in succession; fifteen instances of the price holding the same for three successive days; and approximately the same total number of instances of an unchanged market for two successive days as was reported for Galesburg.

As the margins between local and terminal markets become narrower—which they appear to have done at most Illinois points during 1930-32—and as competition between local markets for volume of hogs increases, there will probably be less rather than more stability in the day-to-day prices of the local markets.

Factors Influencing an Operator's Margin

Obviously the operator who finds it necessary to take a wide margin must pay prices correspondingly lower, in relation to terminal prices, than one whose business permits him to operate on a narrower margin. Yearly volume of receipts in relation to cost of operation has been discussed on pages 450 to 452. Other factors that influence an operator's necessary margin, and therefore local prices, are seasonal and daily fluctuations in receipts, volume of day-to-day carryover, proportion of hogs consigned to terminal markets, and amount of shrinkage between local buying weights and weights as loaded out to packers.

Seasonal Fluctuations in Receipts.—Especially at points handling annually a relatively small volume of hogs are seasonal fluctuations in receipts an important factor influencing local market prices. Margins that may permit a fair profit during months when marketings of hogs are heavy may result in losses during some of the lighter months. Moreover the volume at the smaller markets during the light months may be so small as to restrict proper grading and sorting with the result that it may not be possible for these markets to retain all their sales outlets. Under such conditions operators must, if they are to make money, do one of three things: (1) widen the margin in price between themselves and the competing terminal market during the light months; (2) operate on a wider average margin thruout the year; or (3) make up the difference in other ways. Yards handling large volumes of hogs will usually handle enough, even in the lightest months to pay expenses (overhead and actual operating charges). During times of heavier receipts the increased volume enables them to earn sufficient to show a good return for the year. Such points can readily operate on a relatively constant margin thruout the year.

Fluctuations in Daily Receipts.—Many local market operators complain that the bulk of their hogs come in on days of higher prices; that on days when the price is off, they get few hogs. On this point, however, no adequate data are available. To the extent that this condition holds, the operator would require a wider margin than if receipts were evenly distributed. On the other hand experienced salesmen point out that hogs are often more easily sold on days when prices are up—that packers want hogs or prices would not advance. From their point of view the above complaint is largely propaganda put out for farmer consumption.

Daily Carryover and Terminal Consignments.—Local prices may also be affected by the necessity, from time to time, of carrying hogs over—with possible shrinkage, feed cost, and risk of price change. The proportion of hogs, if any, that are consigned for sale on a terminal market would also have to be taken into account. Only three local markets were found that do not consign hogs on the open market, and they were operated by packers who use all kinds of hogs. Most locals are reliably reported as consigning more hogs to the terminals than is generally known.

Shrinkage.—The extent to which stockmen fill their hogs before delivering them at the local market would be reflected in the amount of shrinkage appearing between local buying weights and weights as loaded out to packer purchasers.[1]

[1]Some yards, however, do not weigh out their hogs to packers, but cut scale tickets for the weight for which the packer is to be billed, the livestock not being on the scale. (*Note is concluded on next page.*)

Local market hogs may not always show heavier shrinkage than terminal market hogs. According to Derrick: "Seven of the 13 packers [interior] feel that they secure a higher yield of dressed pork from hogs bought direct. Only one of these, however, has collected any data to sustain his point. This particular packer claims a carcass shrink of 1½ percent less on direct hogs than on hogs bought and killed at the terminal market."[1] Since this statement was published in 1927 truck hogs have increased in number at practically all local markets; hence shrinks may have become larger. One eastern packer claims that his local market hogs consistently outyield his purchases on the terminal markets. All other packers interviewed said that their local market hogs yielded less than terminal market hogs, usually by 1 to 1½ or 2 percent. It is noteworthy, however, in this connection that one prominent packer does not buy truck hogs at his concentration yards in Iowa.[2] Such truck hogs as are bought at those yards are purchased by another buyer, with whom the packer has a definite working agreement.

Admittedly a little extra shrinkage is not an important factor when hogs are cheap. With a price of $3.90 for hogs on foot, a difference between 78 percent and 76 percent yield means 13 cents per hundredweight in dressed cost; whereas with $10 hogs the corresponding difference would be 34 cents per hundredweight. Therefore in selling to eastern packers, local market operators are in a more favorable position when hogs are cheap.

Savings on Freight at Local Markets

Transportation charges represent a large part of the expense of moving meat animals from farms to packers. Inasmuch as local markets claim to move a large portion of their hogs direct to packers an analysis of comparative freight charges on shipments so made and

[1] Derrick, B. B., "How Direct Buying of Hogs Is Done Today in Iowa," in "American Cooperation," 1927, Vol. 1, p. 563. Published by The American Institute of Cooperation.

[2] Information to the writer in January, 1933.

One local market was visited in midafternoon just as the hogs were being weighed and loaded. The scale not being in use for several minutes, the writer observed the action of the beam and also noted the balance. The scale was weighing just 40 pounds heavy on every draft. Assuming 5 drafts of hogs to each double-deck car, the overweight for each car would be 200 pounds. It was a sloppy day, and the "fast" condition of the scale may have been due to the mud and manure on the scale. If so, the operator was negligent in not keeping his scale balanced. It has been pointed out that hogs must kill out for the packer, but no buyer can tell whether 200 pounds have been added on a double-deck car of hogs.

those routed via the terminal markets is important since any freight savings available to local markets would permit them to narrow their price margins should competition require.

For use in such a study a list of representative Illinois livestock shipping points, including both present and prospective local market locations, was compiled. Then nine well-distributed eastern slaughtering centers were selected that are destinations for many corn-belt hogs sent to eastern packers. Hog freight rates for December, 1932, were then tabulated from each Illinois point direct to each of the eastern points; and from each Illinois point to the terminal market with which it competes (Chicago, East St. Louis, Indianapolis, or Cincinnati), and from each of these markets to each of the eastern points. Differentials between the freight rates for direct movement from each Illinois point to each eastern point and between the combined rates from each Illinois point to the terminal market and from the terminal market to the eastern point, were then calculated. These differentials for double-deck shipments are listed in Table 11.

For the Chicago group the largest differential was from Decatur to Wheeling, West Virginia, the thru rate being 21 cents a hundredweight less on direct movement than the combination of two rates by way of the Chicago market; the smallest was from Mendota to Wheeling, the thru rate being 5½ cents lower than the Chicago combination.

For the Indianapolis[1] group the largest differential was from Bloomington to Buffalo, it being 19 cents lower on direct movement than the combination of rates by way of the Indianapolis market; the smallest was 12 cents, this being the differential in 11 instances.

For the East St. Louis group the largest differential was from Shelbyville to Buffalo, to Pittsburgh, and to Wheeling, the thru rate being 22 cents lower than the combination of rates on movement from Shelbyville to East St. Louis to Buffalo; the smallest was from Carlinville to Wheeling, the thru rate being 7 cents lower than the combination rate by way of the National Stock Yards in East St. Louis.

For the Cincinnati group the largest differential was from Olney to Buffalo, the thru rate being 18 cents lower than the combination of rates by way of the Cincinnati market; the smallest was from Flora to Wheeling, the thru rate being 5 cents less than the combination of rates by way of the Cincinnati market.

In general the thru rate to eastern points was 11 to 19 cents lower than the Chicago combinations (Pittsburgh and Wheeling having ex-

[1]Indianapolis has a form of in-transit tariff, but severe restrictions render it unworkable with hogs.

TABLE 11.—FREIGHT SAVINGS ON HOGS BILLED THRU FROM ILLINOIS LOCAL POINTS TO CERTAIN EASTERN DESTINATIONS COMPARED WITH COSTS OF SHIPMENTS FROM LOCAL POINTS TO TERMINAL MARKET AND FROM TERMINAL MARKET TO EASTERN DESTINATIONS

(Based on double-deck rates.[1] Differentials stated in cents per hundredweight)

From	To Albany	To Baltimore	To Buffalo	To E. Cambridge	To Jersey City	To New York	To Philadelphia	To Pittsburgh	To Wheeling	Average
Chicago basis										
Aledo	17.5	17.5	15.5	17.5	17.5	17.5	17.5	11.5	10.5	15.8
Beardstown	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	20.0	19.1
Bloomington	16.5	16.5	18.0	16.5	16.5	16.5	16.5	18.0	19.0	17.1
Bushnell	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	18.0	18.9
Dallas City	18.5	18.5	16.5	18.5	18.5	18.5	18.5	12.5	11.5	16.8
Decatur	18.5	18.5	19.0	18.5	18.5	18.5	18.5	20.0	21.0	19.0
Dixon	13.0	13.0	11.0	13.0	13.0	13.0	13.0	7.0	6.0	11.3
Freeport	13.0	13.0	11.0	13.0	13.0	13.0	13.0	7.0	6.0	11.3
Galesburg	16.5	16.5	14.5	16.5	16.5	16.5	16.5	10.5	9.5	14.8
Galva	15.5	15.5	13.5	15.5	15.5	15.5	15.5	9.5	8.5	13.8
Geneseo	16.5	16.5	14.5	16.5	16.5	16.5	16.5	10.5	9.5	14.8
Good Hope	19.0	19.0	17.0	19.0	19.0	19.0	19.0	13.0	12.0	17.3
Hamilton	19.5	19.5	17.5	19.5	19.5	19.5	19.5	13.5	12.5	17.8
Havana	17.0	17.0	15.0	17.0	17.0	17.0	17.0	11.0	10.0	15.3
Keithsburg	19.0	19.0	17.0	19.0	19.0	19.0	19.0	13.0	12.0	17.3
LeRoy	16.5	16.5	16.0	16.5	16.5	16.5	16.5	11.0	10.0	15.1
Macomb	19.0	19.0	17.0	19.0	19.0	19.0	19.0	13.0	12.0	17.3
Mendota	13.5	13.5	11.5	13.5	13.5	13.5	13.5	6.5	5.5	11.6
Pontiac	13.0	13.0	11.0	13.0	13.0	13.0	13.0	7.0	6.0	11.3
Princeton	13.5	13.5	11.5	13.5	13.5	13.5	13.5	7.5	6.5	11.8
Quincy	20.5	20.5	17.5	20.5	20.5	20.5	20.5	17.5	16.5	19.4
Rockford	13.0	13.0	11.0	13.0	13.0	13.0	13.0	7.0	6.0	11.3
Savanna	15.5	15.5	13.5	15.5	15.5	15.5	15.5	9.5	8.5	13.8
Springfield	18.0	18.0	19.0	18.0	18.0	18.0	18.0	20.0	20.0	18.6
Streator	12.0	12.0	10.0	12.0	12.0	12.0	12.0	6.0	5.0	10.3
Average	16.5	16.5	15.0	16.5	16.5	16.5	16.5	12.0	11.3	15.2
Indianapolis basis										
Bloomington	15.0	15.0	19.0	15.0	15.0	15.0	15.0	16.0	16.0	15.7
Charleston	13.0	13.0	17.0	13.0	13.0	13.0	13.0	15.0	16.0	14.0
Danville	14.5	14.5	16.0	14.5	14.5	14.5	14.5	14.0	14.0	14.6
Decatur	14.0	14.0	17.0	14.0	14.0	14.0	14.0	15.0	15.0	14.6
Mattoon	13.0	13.0	17.0	13.0	13.0	13.0	13.0	15.0	15.0	13.9
Paris	12.0	12.0	16.0	12.0	12.0	12.0	12.0	15.0	15.0	13.1
Shelbyville	13.5	13.5	17.0	13.5	13.5	13.5	13.5	15.0	15.0	14.2
Sheldon	16.5	16.5	18.0	16.5	16.5	16.5	16.5	16.0	16.0	16.6
Urbana	12.0	12.0	17.0	12.0	12.0	12.0	12.0	15.0	15.0	13.2
Average	13.7	13.7	17.1	13.7	13.7	13.7	13.7	15.1	15.2	14.4
East St. Louis basis										
Bluffs	19.0	19.0	19.0	19.0	19.0	19.0	19.0	18.0	16.0	18.6
Carlinville	15.0	15.0	14.0	15.0	15.0	15.0	15.0	9.0	7.0	13.3
Jacksonville	18.0	18.0	19.0	18.0	18.0	18.0	18.0	18.0	16.0	17.9
Pana	19.0	19.0	20.0	19.0	19.0	19.0	19.0	20.0	20.0	19.3
Quincy	20.5	20.5	18.5	20.5	20.5	20.5	20.5	17.5	15.5	19.4
Shelbyville	20.0	20.0	22.0	20.0	20.0	20.0	20.0	22.0	22.0	20.7
Average	18.6	18.6	18.8	18.6	18.6	18.6	18.6	17.4	16.1	18.2
Cincinnati basis										
Flora	15.0	15.0	16.0	15.0	15.0	15.0	15.0	7.0	5.0	13.1
Lawrenceville	13.5	13.5	17.0	13.5	13.5	13.5	13.5	14.0	14.0	14.0
Olney	14.5	14.5	18.0	14.5	14.5	14.5	14.5	15.0	15.0	15.0
Ridgway	12.0	12.0	17.0	12.0	12.0	12.0	12.0	15.0	15.0	13.2
Average	13.8	13.8	17.0	13.8	13.8	13.8	13.8	12.8	12.2	13.8

[1]Double-deck rates on all thru shipments from local points to the east, and from Chicago to the east; also on shipments from local points to Chicago wherever such rates were carried in the tariffs.

ceptionally favorable rates from some ten Illinois local points); the thru rates were largely 12 to 16 cents lower than the Indianapolis combinations; and were 13 to 15 cents lower than the Cincinnati combinations. In many instances, as shown in Table 11, there appeared to be substantial freight savings by moving hogs on a thru billing.

Table 11 also shows the average differential for each local point to all eastern points and the average differential from all local points to each eastern point. The average differential from Aledo to nine eastern points, for example, was 15.8 cents; the average differential from twenty-five Illinois points to Albany was 16½ cents.

Differentials between the rates from the terminal markets to eastern points and the rates from the competing local markets to these same points, are brought together in Table 12. The average thru rate from Bloomington to nine eastern points was, for example, 3.9 cents above similar rates from Chicago; from seventeen Illinois points to Albany the average rate was 5 cents above the Chicago-Albany rate.

Thus, in the Chicago group, thru freight rates on hogs from local markets to eastern points ranged from 1 cent below to 13 cents above the Chicago rate. By far the most common range was 4 to 6 cents above Chicago rates, Pittsburgh and Wheeling again being notable exceptions in many instances. In the Indianapolis group the range was 2 to 8½ cents higher from the local points. In the East St. Louis group the rates from the locals ranged from 3 cents cheaper to 8 cents higher than the East St. Louis rates, there being no difference in many instances. In the Cincinnati group rates from local points ranged from 7 to 22 cents higher than rates from Cincinnati to the east.

For specific illustration, suppose a Bloomington operator attempts to sell hogs to a Philadelphia packer who also buys on the Chicago market. While the freight rate from Bloomington to Philadelphia is 4½ cents a hundredweight higher than the rate from Chicago, yet if the Bloomington hogs were bought 30 cents under the Chicago price, the Bloomington operator, other conditions being equal, would have a margin of 25½ cents to attract the Philadelphia packer.

According to Table 11 the freight rate from Bloomington direct to Philadelphia was 16½ cents less than the combined freights by way of the Chicago market (i.e., the rate which a shipper would pay on his hogs from Bloomington to Chicago, plus the rate which the Philadelphia packer would pay from Chicago to Philadelphia). Thus the Bloomington local market has an advantage over the Chicago market on hogs moving to Philadelphia of 16½ cents in freight, over the combination rate by way of Chicago.

TABLE 12.—AMOUNTS BY WHICH FREIGHT RATES FROM ILLINOIS LOCAL POINTS TO EASTERN POINTS EXCEEDED RATES FROM FOUR TERMINAL POINTS
(Based on double-deck rates. Differentials stated in cents per hundredweight)

Rates from—	To Albany	To Baltimore	To Buffalo	To E. Cambridge	To Jersey City	To New York	To Philadelphia	To Pittsburgh	To Wheeling	Average
Chicago basis										
Bloomington	.045	.045	.03	.045	.045	.045	.045	.03	.02	.039
Bushnell	.06	.06	.06	.06	.06	.06	.06	.06	.07	.061
Charleston	.045	.045	.03	.045	.045	.045	.045	.02	.00	.036
Dallas City	.06	.06	.08	.06	.06	.06	.06	.12	.13	.077
Danville	0	0	.01	0	0	0	0	0	−.01[1]	0
Decatur	.045	.045	.04	.045	.045	.045	.045	.03	.02	.040
Galesburg	.06	.06	.08	.06	.06	.06	.06	.12	.13	.077
Galva	.06	.06	.08	.06	.06	.06	.06	.12	.13	.077
Geneseo	.06	.06	.08	.06	.06	.06	.06	.12	.13	.077
Hamilton	.06	.06	.08	.06	.06	.06	.06	.12	.13	.077
Keithsburg	.06	.06	.08	.06	.06	.06	.06	.12	.13	.077
LeRoy	.045	.045	.05	.045	.045	.045	.045	.10	.11	.059
Pana	.05	.05	.05	.05	.05	.05	.05	.04	.03	.047
Paris	.035	.035	.02	.035	.035	.035	.035	.00	−.01	.024
Savanna	.06	.06	.08	.06	.06	.06	.06	.12	.13	.077
Streator	.06	.06	.08	.06	.06	.06	.06	.12	.13	.077
Urbana	.045	.045	.02	.045	.045	.045	.045	.01	.00	.033
Average	.05	.05	.056	.05	.05	.05	.05	.074	.075	.056
Indianapolis basis										
Bloomington	.08	.08	.04	.08	.08	.08	.08	.07	.07	.073
Charleston	.08	.08	.04	.08	.08	.08	.08	.06	.05	.070
Danville	.035	.035	.02	.035	.035	.035	.035	.04	.04	.034
Decatur	.08	.08	.05	.08	.08	.08	.08	.07	.07	.074
Mattoon	.08	.08	.04	.08	.08	.08	.08	.06	.06	.071
Paris	.07	.07	.03	.07	.07	.07	.07	.04	.04	.059
Shelbyville	.085	.085	.05	.085	.085	.085	.085	.07	.07	.078
Sheldon	.035	.035	.02	.035	.035	.035	.035	.04	.04	.034
Urbana	.08	.08	.03	.08	.08	.08	.08	.05	.05	.068
Average	.069	.069	.036	.069	.069	.069	.069	.056	.054	.062
East St. Louis basis										
Bluffs	0	0	0	0	0	0	0	.01	.03	.004
Carlinville	0	0	.01	0	0	0	0	.06	.08	.017
Jacksonville	0	0	−.01	0	0	0	0	0	.02	.001
Pana	−.01	−.01	−.02	−.01	−.01	−.01	−.01	−.02	−.02	.013
Quincy	0	0	.02	0	0	0	0	.03	.05	.011
Shelbyville	−.01	−.01	−.03	−.01	−.01	−.01	−.01	−.03	−.03	.017
Average	−.003	−.003	−.005	−.003	−.003	−.003	−.003	.008	.022	.006
Cincinnati basis										
Flora	.12	.12	.11	.12	.12	.12	.12	.20	.22	.139
Lawrenceville	.105	.105	.07	.105	.105	.105	.105	.10	.10	.100
Olney	.115	.115	.08	.115	.115	.115	.115	.11	.11	.110
Ridgway	.18	.18	.13	.18	.18	.18	.18	.15	.15	.168
Average	.13	.13	.098	.13	.13	.13	.13	.14	.14	.129

[1]Minus sign means that it cost less to ship from local point than from terminal.

The points emphasized here are (1) that freight savings are possible on thru movement from local markets to eastern points, as against combination rates by way of the terminal market; and (2) that relatively small freight increases are incurred by eastern packers buying hogs at various Illinois local markets in comparison with purchases at terminal markets serving those respective areas.

Obviously not all Illinois hogs can go direct to eastern packers. If they did, the demand at such points would be oversupplied and prices would be depressed. More information is needed as to how many Illinois (and other western) hogs can move east to advantage. With so many local markets seeking an eastern outlet, that market may easily be overloaded.

There is much need for an annual state and national balance sheet on hog production, hog slaughter, hog shipments, pork shipments, and pork consumption. With such a statistical survey it would be possible to locate duplicate or round-about movements and possibly to work out a more direct marketing and distribution system.[1]

Quoted Price Not Only Factor in Market's Advantage

Before concluding this discussion of hog prices, it seems well to point out that a stockman, in estimating the advantage to him of selling his hogs on a given market, must take into consideration more than the apparent price advantage on a given weight of hogs. He must consider: (1) price quoted per pound in relation to the weights and grades he has to sell; (2) differences in sorting and grading; and (3) accuracy of weights. Sorting hogs into lower-priced weight classes[2] is one effective means of reducing the amount a stockman receives; and inaccurate weights may offset several times any apparent advantage in price per pound.

The significance of each one of these factors should be obvious to anyone, yet experienced stockmen often overlook one or more of them. If, for example, the local-terminal differential is only 25 cents on weights of hogs that are scarce but 40 or 50 cents on heavier hogs and 75 cents on sows, the stockman should figure the net differential *on the total lot of hogs he has for sale.* This is particularly true if he has ready access to the Chicago market, which is the outstanding market for heavy and rough hogs. Yet hundreds of farmers look

[1]An example of an approach to such a survey is the annual report on hog movements made by the German government. See "Deutsche Agrarpolitik," published by Reimar Hobbing, Berlin, 1932, especially the graph on page 498, Vol. 2.

[2]The manager of a local market was pointing out to a stockman the list of sales as reported by the Indianapolis *Daily Live Stock Journal,* and telling how at Indianapolis if a lot of hogs averaged one pound per head over the weight breaking point they went into the lower-priced group, heavier hogs then being cheaper. Later when asked by the writer if he ever followed this practice himself, the manager replied, "Sure, if I can get away with it! But if the owner squeals too hard I have to divide up."

only at the 25 cents, admit it will cost them more than that to ship to and sell on the terminal market, and ignore the wider differential on the less popular weights.

The second point needs no amplification. It is a common saying on all markets that the buyer's profit is in his sorting pole. It is just as true for the seller. As to the matter of weights, years of experience with and observation of scales and weighing have shown that there may be great variation in scales (see pages 503-508). A stockman is unwise to sell livestock at any market where he is not certain of scale adequacy and weight accuracy.

Thus the dependability of a market is also a factor that a stockman must take into account when considering whether one outlet or another will net him the better return.

Net Price Advantage to Stockmen and Packers at Local Markets

Assuming that prices at the local markets were below corresponding terminal prices by the differentials shown in Tables 5 and 6; that sorts were comparable to those at terminals; that shrinkage was no greater; that local weights were accurate; and that yardage and commission charges were the same[1]; the immediate net return to the stockman selling at a local market will be higher to the extent that the price differential is less than the higher cost of marketing his hogs at a terminal market.

For example, assume that hogs would sell at $3.80 in Chicago. If trucking expense were 30 cents a hundredweight and terminal expense 20 cents, the net would be $3.30, shrinkage not considered. If the same hogs were sold at a local market that was paying actually 30 cents under Chicago, and the local truckage rate was 10 cents a hundredweight, the net would be $3.40, shrinkage again not considered. The seller would thus apparently net 10 cents more per hundredweight at the local market.

Actually, shrinkage would be expected to be somewhat less on hogs sold at the local market because of the shorter haul. Also it may be suggested that on hogs trucked to a terminal the owner runs more risk of loss thru injury. Altho such risks are not peculiar to truck

[1]Since some local markets assess yardage or commission charges, or both, while others do not, those items must be given separate consideration. For example, at one market a yardage charge of 12 cents a head is assessed on hogs, whereas at a second market no local charge is deducted. On 200-pound hogs this would be equivalent to lowering the net price by 6 cents a hundredweight. Reference to Table 3 will show the differences among Illinois local markets in this practice.

consignments or to any shipments to a terminal market, they are probably somewhat greater on a longer haul. But these suggested advantages of sales at local markets may be offset by the inaccuracy of the scales at those markets.

In any case a stockman should take all items into account in determining how and where his hogs will net the largest return. What the net advantage to him will be in selling locally can be definitely answered only in the light of specific conditions and with specific price information. At times the apparent advantage from selling locally might be 15 cents a hundredweight, but it is believed usually not to exceed 10 cents and very frequently it is less.

The important question, however, is whether stockmen receive their fair share of the savings made possible by the local markets. If hogs are priced to an eastern packer at $3.80 in Chicago, plus a 39-cent freight rate and a 5-cent order-buying commission, the delivered price would be $4.24 a hundredweight. If comparable hogs are priced to him at a local market at $3.50 (30 cents under the terminal price), with a 42-cent freight rate and a 5-cent order-buying charge, the delivery price at his plant will total $3.97, or 27 cents a hundredweight below the cost of the terminal market hogs. It will not take 27 cents to attract a packer's orders.

If there were no losses from deads or crippling in the local yards, no losses from price changes, if weights held out, if no adjustments had to be made or packers' claims paid, it is evident that the local market could afford to buy hogs closer to terminal market prices than is usually done now and could thus give the stockman a larger share in the savings that apparently result. Altho some losses do occur from some of the sources enumerated, yet even so it is not clear that stockmen who sell to the local markets are at present getting their full share of the margins which appear to result from local market operation.

The relative advantages or disadvantages to the packer of local market buying may be thus illustrated. Assume that hogs at Chicago are priced to an eastern packer at $4.50 a hundred pounds. With 5 cents as order-buying commission and 41 cents as freight rate, the total would be $4.96 a hundred delivered to the packer. Suppose the same weight and quality of hogs are priced at $4.20 at Bloomington. With the freight rate 3 cents higher than the rate from Chicago (the length of time for transit is the same) and a 5-cent order-buying commission added at Bloomington, the cost of the Bloomington hogs would then be $4.69 delivered to the packer. Assuming a 78-percent yield for the Chicago hogs and a 76-percent yield for those from Bloomington, the dressed cost would be $6.36 in the first instance and $6.17 in the second, a difference of 19 cents per hundredweight dressed cost. The packer might have paid $4.35 at Bloomington for the same kind of hogs that cost him $4.50 in Chicago. Actually most packers, except in an emergency, insist on buying hogs at the local markets at a lower price than they pay for comparable hogs at the terminal market, for three reasons: first, local market hogs are not usually as carefully sorted and graded as at the terminal markets; second, local market hogs are generally thought to shrink more; third, packers say local market hogs should be cheaper—if not, why bother with them? So the packer may bid anywhere from $4.10 to $4.35, depending on how badly he needs the hogs and what it takes to get them.

Obviously from the stockman's standpoint the real test between any two markets is the net amount each will pay for a given producer's hogs at the farm on the basis of accurate farm weights. The writer's observation is that few stockmen take the trouble to check returns on that basis.

PART III. HOW LOCAL LIVESTOCK MARKETS HAVE AFFECTED TERMINAL LIVESTOCK MARKETS

Only recently have stockmen, generally, begun to consider whether the establishment and operation of local livestock markets may affect the terminal livestock markets; and if so, how. Indeed few packers gave the development earlier attention. Stockmen have been told, both by packers and by economists, that hog prices are determined by "supply and demand," (without any real explanation being offered as to just what is meant by those terms) ; that transference of buying operations from terminals to country points reduces terminal market receipts (supply) to the same extent that it reduces buyers' requirements (demand) at the terminals; therefore, that the operation of local markets could not affect hog prices. As one operator put it, "there are just so many hogs to sell; what difference does it make where or how they are sold?" Some have even asserted that local markets are not in competition with terminals.

It is the purpose of this chapter to analyze the major factors involved in the economic relationships developing between the two groups of markets and to seek to determine, as clearly as may be, the results of these relationships. Numerous aspects of the situation—such as the relative marketing costs at local and at terminal markets, the effects of discriminatory freight rates on fresh meats and of preferential in-transit privileges, with resultant inequalities in prices of hogs to various groups of packers—are of basic importance and require careful consideration if one is to get a reasonably clear view of the action and reaction upon each other of these two methods of marketing livestock.

From conversations with stockmen, as well as with agricultural extension workers, it is clear that many phases of livestock marketing practice are imperfectly understood. A better understanding of actual marketing practices is, however, essential if one is to comprehend clearly the economic aspect of the problems under consideration, for here, as elsewhere, economic theory may not fully reflect market practices.

Hence a brief description of how large packers organize and conduct their hog-buying operations will precede the main subject of this part of the study.

How Packers Buy Hogs

The buying system used by any packer naturally depends upon volume of hogs slaughtered, number of plants operated, location of plants, number of buying stations, whether hogs are acquired on terminal markets or at local markets or at both, and is subject to such modifications as changing conditions may require.

The hog-buying set-up for a packer operating practically all over the United States, with head offices at Chicago, is shown in Fig. 8. There is an executive who directs all operations in hogs and in provisions, including the sale of pork and pork products, the movement of pork into and out of storage, the determining of product prices, etc. There is also a head hog buyer. Each numbered circle in the diagram, except Des Moines represents a terminal market. At each of these, so far as its importance justifies, is located one or more of the company's trained and experienced hog buyers. The inset represents Iowa, each dot indicating the location of one of the company's country buyers, all directed by one of the company's most able buyers located at Des Moines.

Altho practice varies with different companies, the general procedure is somewhat as follows. Each morning before the livestock markets open, the head hog buyer and the manager of the provisions department plan their buying campaign for the day—how many hogs should be slaughtered at each plant, and of what weights; what prices should be bid; how many hogs should be purchased at each market; whether an aggressive or passive buying policy is to be followed at country points; whether to increase the competition in some sections and ease off in others, or whether to attempt a big buy, and thus increase the competition at all points. With these points decided, the head buyer then determines the specific instructions to be sent to each buyer at the outside points.

In deciding those questions the head buyer and his staff have before them full information on the following items for each terminal market and for many country points:

1. The yield of hogs at each plant and from each buying area.
2. Temperature and weather of the preceding day.
3. Receipts of the preceding day, their quality, and weights.
4. Hog prices of the preceding day.
5. Purchases of competitors on the preceding day.
6. Purchases on order on the preceding day.
7. Holdover of the preceding day.
8. Product prices and market conditions in consuming centers.
9. Storage stocks and movement into or out of storage.
10. Reported receipts of the day, their quality and weights.
11. Temperature and weather of the day.
12. Prospect for shipping orders.

Other considerations might also be listed.

With information at hand on all these items and many more, the head buyer issues definite instructions to each outside buying office as to how many hogs they shall try to buy, of what weights and of what quality, price limits, and the disposition of hogs if and when purchased. The buying program at every market and at all important

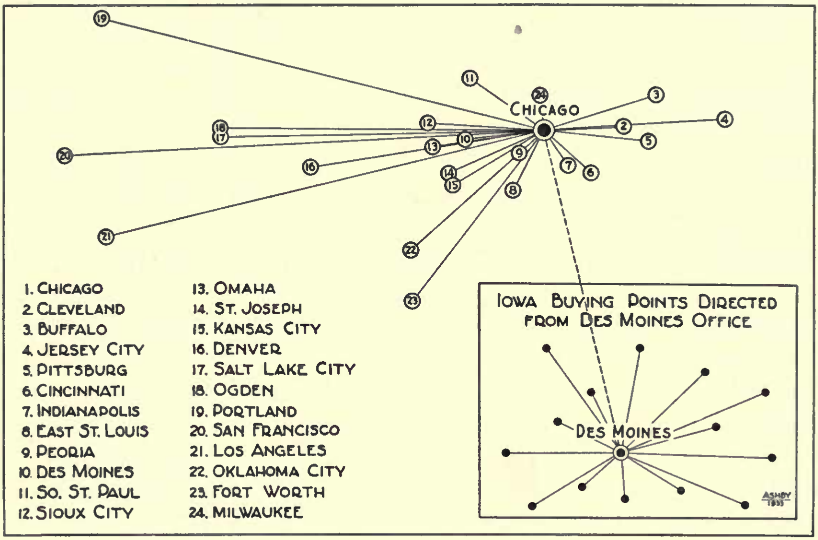

FIG. 8.—SET-UP OF A LARGE NATIONAL PACKER'S HOG-BUYING ORGANIZATION

A large well-organized buying department maintains close contact with all important market points and is able to take advantage of changing conditions at any of these points as rapidly as they develop.

local buying points is planned with keen attention to what competitors in each sector are doing, as well as to hog prices, both local and general.

The buyer at Omaha, or St. Paul, or Fort Worth, or Buffalo, or at any of the other points, then proceeds to carry out his instructions. As soon as any important change develops in the tone of the market or variation in operations of competitors is noted, it is reported to the head buyer's office. If the market is weaker than expected or competitors are less active, the purchase may be increased. If the market is higher than anticipated or more active, fewer hogs, or none at all, may be bought.

The whole program is planned to buy the day's supply of hogs at the best prices and at the most convenient locations possible. If prices at certain points are too high, the company's buying competition is withdrawn from those spots, so far as it can be done without benefitting competitors. If other markets are low, purchases there are increased as much as they can be without pushing prices up. Hogs purchased at country points are shipped to one plant or to another, according to where they can best serve the interests of the company, consideration being given also to the effect such shipments will have on terminal market prices.

Not only are buying operations planned in detail day by day but the buying program covering all sections of the country is planned ahead, so far as information is available, for weeks and for months. Moreover some of the large companies have corps of trained economists and statisticians who devote their full time to a careful analysis of present and prospective conditions, their findings being furnished to the operating departments for use in connection with actual buying, processing, and sales operations.

It is scarcely necessary to state that any buyer, whenever possible, plays one seller against another. When practically all hog buying was done on the eleven principal terminal markets, a buyer or a buying organization was limited in its field of action. Now, with hundreds of local markets competing with the terminal markets thruout the best hog-producing sections of the corn belt, a hog-buying department has an even better opportunity to play seller against seller.

The Chicago hog market furnishes a further excellent illustration of this fact. As is generally known, the hog houses at the Chicago Union Stock Yards are, for yarding and for trading purposes, operated in four sections, designated as the Burlington, Northwestern, Rock Island, and the Cuba divisions. The larger packers have a head buyer in charge of all their hog buying in the Chicago yards, with a skilled buyer and numerous assistants in charge of each of the four divisions. Each divisional buyer keeps in constant touch with the head buyer, reporting the situation from moment to moment as it develops. If prices are easier in one division, orders are transferred to that section. As one buyer stated: "Sometimes we may find four different markets going on at the same time, each division on a different price basis. Nearly always prices are lower here or stronger there. It's our job to locate the 'soft spots' and do our buying there as far as possible."

Stockmen, however, have done little to offset the well-developed organization of buyers. Only one commission firm on the Chicago market has a sales organization in each of the four divisions, with one manager coordinating all four sales staffs. True, government market reporters are constantly receiving and giving price and sales information; every seller knows every other; information spreads rather rapidly; and the weaker salesmen try to keep in line with salesmen of recognized ability. The net result, however, is far less coordination on the selling side than on the buying side.

This conclusion is further substantiated if one considers that there are some two hundred fifty markets selling hogs in the corn belt, and that the facilities of the sellers for prompt and complete transmission of market information among these widely scattered points are much less adequate than those for the buyers. Thus unorganized and uncoordinated are the sales operations for the disposal of a crop that provides one dollar of every eight of the cash farm income in the United States and one of every four for Illinois (average of the three years 1930-1932).

One packer formerly bought all his hogs on the terminal markets, mostly at three or four points. With that method it was just a matter of comparing price, quality, and transportation cost, including shrinkage. More recently he has acquired a large part of his supply at local markets, drawing from some twelve or fifteen sources of supply. He is now in a position—always considering competitors' buying—to play sellers against each other more effectively than formerly.

Stockmen should not condemn a packer for operating a large and effective buying organization unless that packer uses his organization in unfair ways. Stockmen have the privilege of setting up and maintaining sales organizations of their own that would be competent to deal with packers' buying groups. Neglect to do so furnishes no justification for criticizing packers.

Livestock Marketing Cost—Local and Terminal

A common argument for local livestock markets is that they afford a less expensive method of marketing. There are many aspects to the problem, and the more one considers these various aspects the more complicated the problem becomes. The more important of these are: whether the apparent saving in marketing expense at local markets is a real saving; possibility of reducing terminal market expense; extent to which stockmen have neglected to consider all the factors in marketing costs; and the extent to which irregular buying practices at some local markets constitute an unmeasurable marketing cost.

From the standpoint of the individual producer disposing of his hogs at a local market, with no commission or yardage charges appearing on his account sale, with a lower truckage bill, and with a net of 5 or 10 cents more a hundredweight than he might have had by trucking to the terminal market, there seems to be no doubt that local markets provide a less expensive method of marketing.

From the standpoint of the hog-raising industry, however, it is a question whether local markets may not actually have increased the cost of marketing: (1) by weakening the general hog price-level, largely thru inequalities in prices of hogs to different packers, (2) by setting up a multitude of local markets and additional marketing personnel which the industry must support; and (3) by irregularities in market practices, such as inaccurate weights, irregular sorts and grading, bad checks, etc. But there is as yet no way by which the quantitative effect of any of these items can be accurately determined.

Packers question whether hogs are being obtained at less buying expense thru local markets than thru terminal markets. There are, however, differences of opinion. The majority of operators with whom the writer has discussed the problem feel that it is costing as much now as before. One well known buyer said: "When we were buying all our hogs on the terminal markets we had one buying organization for our entire business; today we are maintaining seven different buying organizations." Additional expenses of that sort are not charged on farmers' accounts sale; they are manifest only in the form of price.

Marketing Costs More Inclusive Than Usually Considered.— Stockmen tend to consider as marketing costs only those items that are actually billed against them, such as freight or truckage, yardage, feed, commission, insurance, etc. But these items may represent only a part, possibly a small part, of the total marketing cost, that is, of the spread between the value of livestock at the farm and the retail cost of meat to the consumer. Stockmen are just beginning to recognize that livestock marketing does not stop at the packers' scales, whether in Ottumwa or Chicago, but that the operation includes the entire movement from feedlot to consumer. If that be true, then livestock marketing costs also extend from feedlot to consumer. These costs are presented graphically in Fig. 9.

The data used in Fig. 9 are not presented as statistically exact but as the best that could be arrived at from the information then available. The primary purpose is to illustrate the problem and to show the necessity of developing means of dealing with it to the benefit of both producers and consumers. Furthermore, reduction of distributive expense would aid packers. The chart shows that for the year 1932 the farm value of meat animals was $721,000,000; that packers paid $861,000,000 for them, and that consumers paid $1,656,000,000 for the meats. So while the marketing cost, farm to packers, was $140,000,000, the total marketing cost, farm to consumers, was $935,-000,000. In other words, the items that stockmen have commonly considered as constituting their marketing costs[1] really made up, in 1932,

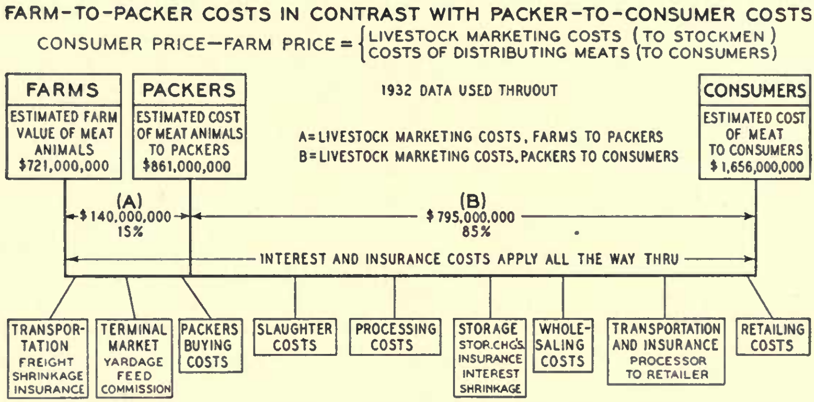

FIG. 9.—LIVESTOCK MARKETING COSTS, SHOWING FARM-TO-PACKER COSTS AND PACKER-TO-CONSUMER COSTS

Packer-to-consumer costs in 1932 (section B above) were more than five times as large as farm-to-packer costs (section A), yet in thinking and talking of livestock marketing costs stockmen frequently refer only to the farm-to-packer costs. (Chart is based largely on estimated data from the Bureau of Agricultural Economics, U. S. Department of Agriculture.)

slightly less than 15 percent of the total. The remaining 85 percent may be worth considering, even tho stockmen may, at present, have no means of influencing these costs.

The research department[2] of the National Live Stock Marketing Association (Chicago) has given this problem much study. Their recent analysis of the situation, shown in Fig. 10, indicates a distinct widening of the producer-consumer spread since about 1920.

[1]The major items of terminal market expense are (1) yardage and feed, paid to the stockyard companies; and (2) selling commissions, paid to the sales agencies (livestock commission firms). Minor items include the cost of fire insurance protection while the livestock is in the yards, deductions for the support of the National Live Stock and Meat Board, inspection, etc.

[2]This department is in charge of Mr. H. M. Conway, previously a member of the staff of the Bureau of Agricultural Economics, U. S. Department of Agriculture.

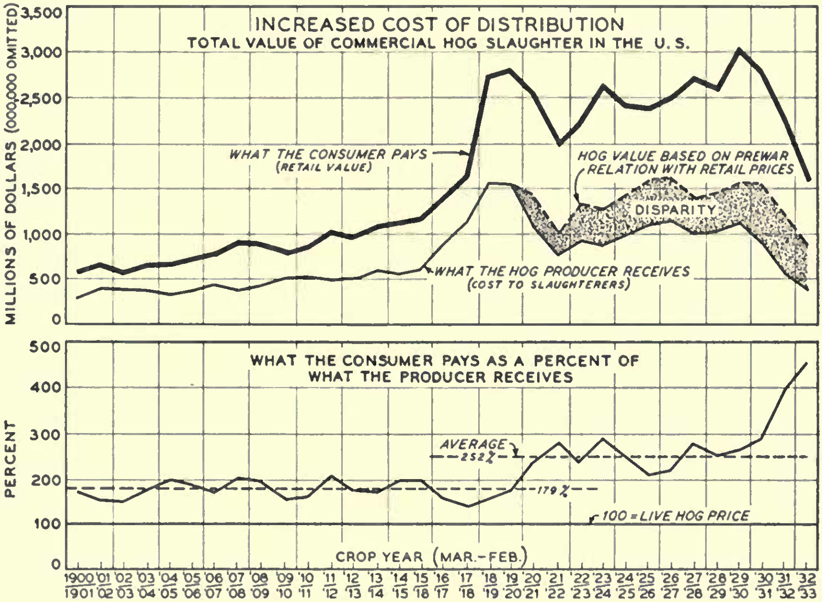

FIG. 10.—COST OF DISTRIBUTING PORK AND PORK PRODUCTS IN RELATION TO HOG PRICES

The marked increase in the cost of distributing pork and pork products since the World War gives a plausible reason for the hog producer having received an increasingly lower proportion of the consumer's pork dollar. (Graph reproduced by courtesy of National Live Stock Marketing Association.)

On the other hand, investigators at the Ohio Agricultural Experiment Station[1] report that both wholesalers and retailers of meats reduced their margins year by year from 1927 to 1931 inclusive. Their conclusion, however, does not necessarily contradict Mr. Conway's analysis. Distributors' margins may have been reduced in dollars and cents but not in proportion to the drop in livestock prices. That is apparently what occurred.

A striking and recent comment on the distributive situation is the following:

"The breakdown of the existing economic system appears most obviously in the failure of its machinery of distribution. That machinery has of late years been increasingly unsuccessful both in carrying the products of industry and agriculture smoothly to the consumer's door, and in translating the distributor's information regarding the consumer's demand into language intelligible to the producer for purposes of determining the

[1]Henning, G. F., and Anderson, J. J., "Prices of Cattle and Hogs Compared with Wholesale and Retail Prices of Beef and Pork," Ohio Agr. Exp. Sta. Bimo. Bul., Jan.-Feb., 1933, pp. 20-26.

volume, time and quality of his production. The application of science to production and the rationalization of industries have gone ahead of any corresponding improvement of methods of distribution."[1]

In connection with the subject of distribution costs, and of spread between farm and consumer prices, Mr. C. B. Denman, a member of the Federal Farm Board, referred[2] to a letter from an Indiana meat retailer in which the latter stated that sixteen different packer salesmen or sales truckers called on him weekly; that even if all of his orders were given to one salesman, the profit would hardly pay for sending a truck to his store to deliver the goods. Packers are as much interested in this problem as anyone and are giving it constant study.

Mr. Denman also mentioned the experience of an operator of a chain of over 200 retail meat markets in an eastern city. Business at a number of these markets had dropped to a volume of three hundred dollars a week or less and the markets were not paying. The operator raised prices, but the volume declined still more. Then he closed all the shops for two weeks to reorganize. He set up a central cutting shop, having all carcasses delivered there and all the meats cut and packaged there, the meat cutters working steadily and none being employed at the retail stores. The meats were delivered by refrigerated trucks to retail stores. The prices of meats were cut in half. The stores went to a $3,000 a week volume instead of $300 as before.

Total livestock marketing costs will decline only as the producer-consumer price spread narrows. It is to a means of influencing that spread that the livestock industry needs to give continuous consideration, as well as to the minor items which appear as expenses on livestock sent to market.[3]

Is Terminal Marketing Expense Too High.—Attention is next directed to a more specific examination of the 15 percent of livestock marketing costs that have commonly absorbed the attention of stockmen. Complaint is frequent that livestock marketing expense is too high,—that terminal market charges are excessive. In that connection it should be noted that the terminal markets were set up to handle the total volume of livestock marketed. Now that approximately 50 percent of the hogs marketed are being marketed direct, only 50 percent are left to carry the bill of operating the hog end of the terminals. Possibly the second 50 percent, instead of carrying all the load, will in

[1]Blackett, B. P., "Planned Money," D. Appleton and Company, New York, 1933, pp. 32-33.

[2]Before a livestock meeting at Peoria, Ill., Feb. 17, 1932.

[3]For an excellent discussion of the general question of marketing cost see Clark, Fred E., and Weld, L. D. H. "Marketing Agricultural Products," Macmillan Company, New York, 1932, pp. 443-479.

the next two or three years also go direct. That would be one method of settling the issue,—to abandon terminal markets. Naturally when receipts decline to half the numbers formerly consigned to these markets, stockmen who still patronize them will not be willing to pay charges sufficient to carry the overhead on the land and equipment formerly required for twice the amount of livestock, and at prewar valuations.

One possibility for improvement is to write down the capitalization of the properties used in terminal market service, turning unneeded land and equipment to other uses, or to readjust capitalization to the volume of livestock now received. However, if more and more stock continues to move direct, that solution would be but temporary and soon the process would have to be repeated.

This is not to say that stockyards companies and packing companies may not be overcapitalized. The Packers and Stockyards Administration has sought to determine the actual valuation of numerous stockyards properties[1] as a basis for determining fair and reasonable rates for stockyards services. In the course of these valuations and hearings, data of direct interest to the livestock industry has been gathered. At Chicago[2] it appears, for example, that the Stock Yards Company set up a valuation of some $34,000,000 for the property and facilities used for stockyards' purposes, whereas government engineers arrived at $15,000,000 as a fair value. The difference, $19,000,000, at 7 percent represents an annual charge of $1,330,000 to be covered primarily out of yardage and feed charges. It is apparent that yardage charges could be much less if earnings were required to cover returns on a $15,000,000 rather than on a $34,000,000 investment.

In the same connection this item in the Chicago hearing will interest stockmen: It was stated that in about 1890 Armour, Swift, and Morris threatened to move their packing plants to a small town some forty miles south of Chicago. As a result an agreement was entered into—

". . . . which, among other things, provided for the payment of $3,000,000 worth of income bonds to be issued by the stockyard company to the

[1]The Packers and Stockyards Administration, Bureau of Animal Industry, U. S. Department of Agriculture, has held hearings and issued orders as to stockyards rates and charges at Peoria (P. & S. A. Docket 5), at Nashville (Docket 291), at St. Joseph (Docket 298), at Denver (Docket 301), and at Omaha (Docket 344). In addition hearings have been under way at Chicago, at Kansas City, at National Stock Yards, and at Sioux City. At St. Joseph, at Denver, and at Omaha the respective stockyards companies took the P. & S. A. orders into court and have prevented their becoming effective.

[2]"Report, Findings, and Conclusions of the Examiner," Docket 7, Packers and Stockyards Administration, U. S. Department of Agriculture.

packers upon agreement by the packers to remain in business in the yards for a period of 15 years. About this time a number of smaller packers located at Chicago, charging that there was discrimination in favor of the Big packers, purchased a tract of land . . . . and threatened to remove their plants thereto. An agreement was made by the New Jersey company in which the smaller packers received $100,000 in cash and $300,000 of 5% 15-year noncumulative income bonds."[1]

Doubtless the above total of $3,400,000 constitutes a part of the total valuation claimed by the Stockyards Company.

Within the last five years a group at Cincinnati contracted for a piece of land a mile or two from the present Cincinnati yards, announced plans for establishing a competing yard, and attempted to force the Cincinnati Union Stock Yard Company to buy them out. The plan did not succeed.

From the point of view of the stockyards companies, most yards at the terminal markets could handle approximately twice the volume of receipts they now handle and at comparatively little additional cash expense. A prominent stockyard company executive said in the fall of 1933: "If it were possible to double our present hog receipts we could handle them at very little more expense than it is costing us to operate now; consequently we could afford to reduce our present charges and, speaking for our company, we would be glad to do so."[2]

Even packers may have expenses imposed on them, an outstanding example being the recent experience of Armour and Company in which three bankers serving as members of the Company's finance committee exacted salaries of some $1,300,000 in ten years.[3] The livestock industry, including the packers, could well use those "salaries" now.

The other important terminal market expense is the selling commission. There are three possible methods by which stockmen might modify this expense: (1) Stockmen could voluntarily turn all their business to the best staffed and most effectively operated one-third of the firms now at each market. Volume would then be increased to a point where commission rates could be lowered[4] and at the same time

[1]"Report, Findings, and Conclusions of the Examiner," Docket 7, pp. 22, 23, Packers and Stockyards Administration, U. S. Department of Agriculture.

[2]Statement to the writer.

[3]Chicago *Daily Tribune,* Sept. 11, 1933, p. 23. In the Chicago *Daily Drovers Journal,* same date, p. 5, Mr. T. G. Lee, President of Armour and Company, was reported as saying that Mr. Samuel McRoberts, a director of the Manufacturers' Trust Company, New York, drew $60,000 a year from Armour and Company from 1923 thru 1931; that Mr. Arthur Reynolds, former chairman of the Continental Illinois Bank and Trust Company, Chicago, and Mr. A. H. Wiggin, Chase National Bank, New York, received $40,000 a year apiece.

[4]This is not to say that all commission rates are too high. The present number of commission firms, however, is needlessly large.

the remaining firms would have more influence on prices. There is not a firm on any of the markets but could handle from 30 to 100 percent more business at little or no more operating cost. (2) Stockmen might look to the Packers and Stockyards Administration to regulate the rates. This agency has done much to influence commission rates. Its order establishing a schedule of commission rates and charges at the Omaha market[1] was issued in 1926, and the schedule has been upheld by the courts, the United States Supreme Court handing down its decision in February, 1930. It is clear that the rates prescribed were based on the assumption of the handling of a large volume of business by each firm. The Administration has completed hearings and has issued orders, or has hearings under way at several markets.[2] (3) Stockmen might abandon entirely the terminal markets, as was suggested in connection with the means of reducing stockyards charges.

Inaccurate Scales and Irregular Practices in Weighing and Sorting as Additional Factors in Marketing Costs. — Any irregularities in weighing or sorting and grading of livestock are important to stockmen because they may materially reduce the net return without the livestock owners being aware of how or to what extent these factors have been operative.

Since there is no direct supervision of scales or of weighing at most local markets, stockmen can only verify local market weights by previously weighing their hogs on another scale that is known to be accurate. Such scales may not be available, especially if the livestock is to be weighed in trucks. Farm scales[3] cannot be depended upon for this purpose unless they have been carefully tested with standard test loads equal to the weight of the hogs in question.

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[1]Docket 143, Packers and Stockyards Administration, U. S. Department of Agriculture.

[2]Dr. A. W. Miller, Chief of the Packers and Stockyards Division, Bureau of Animal Industry, U. S. Department of Agriculture, reports that hearings as to commission rates and charges have been held and orders issued as follows: Omaha (Docket 143), Sioux City (Docket 308), Kansas City (Docket 311), and National Stock Yards (Docket 383). He also reports that hearings were started at St. Joseph, but that the commission firms filed a schedule of lower rates and it was accepted; that preparations were made for a hearing at South St. Paul but that the commission firms filed a schedule of lower rates and it was accepted. A hearing on commission rates at Chicago has been under way and is virtually completed.

[3]Of 138 Illinois farm scales tested (3,000 pounds of standard-scale test weights were used for each scale) only six were accurate according to Class B tolerances, as listed for full-capacity beams. Only one scale having a beam fitted with counterpoise weights tested within the tolerance at all test loads in two successive years. See Forty-Sixth Annual Report, Ill. Agr. Exp. Sta., 1932-1933, pp. 99-100.

From personal observations[1] at Illinois local livestock markets, it is believed that scales in use at most of these points are adequate provided they are properly inspected, tested, and serviced and assuming that they are fairly and honestly operated.

At Galesburg, Keithsburg, and Savanna local market operators reported that they depended upon railroad scale inspectors to keep their scales in order, and that tests were frequent. Definite information as to the amount of test loads used was not available. The remaining local markets, so far as could be learned, employ commercial inspection and testing service, some scales being tested once or twice a year, others as often as every quarter. At some points no regular schedule of testing is followed. The amount of test load applied in the commercial inspections was said to be usually 2,000 pounds of standard-scale test weights.

Since few stockmen understand the essential differences between the testing and operation of scales at terminal and at local markets, a brief analysis of the more important differences is given here in tabular form:

Testing and Operation of Scales

At Terminal Markets	*At Local Markets*
1. All scales tested under supervision of skilled government scale engineers.	1. No definite supervision of tests other than under general statutory regulations.
2. Heavy test loads required—20,000 to 30,000 pounds of standard-scale test weights used. Scales of all important terminal markets given full load test at least every three months and light load test every week.	2. Light test loads commonly used—often 2,000 pounds or less; occasionally only 100 pounds used.
3. Scales tested progressively, step by step, from first notch on beam to full capacity.	3. Step tests less frequent, if made at all.
4. Errors in scale performance, at each test load applied, accurately measured to ½-pound limits.	4. Only approximate readings often used. If beam does not strike top or bottom of trig loop, scale may be passed, tho error present may be 10 pounds or more.

[1]Altho the writer is not a scale engineer or mechanic, he has had four years' service in the Packers and Stockyards Administration, during all of which time he had close contact with federal scale engineers, assisted with hundreds of scale tests, and was frequently responsible for their supervision, gave careful attention to scale equipment and maintenance, and constantly observed livestock weighing operations. He has continued this study during his eight years' service at the University of Illinois.

(Terminal Markets)	*(Local Markets)*
5. Scale error not permitted to exceed 1½ pounds per 1000 pounds scale test load at any notch or graduation on the beam (maximum tolerance of 2 pounds allowed at first 1000 pound notch on beam).	5. Errors of 5 to 10 pounds per 1,000 pound load allowed—error equivalent to one graduation on the beam commonly permitted.
6. Detailed written reports required of every test, one copy going to the government engineer, one copy to the stockyards company, and one copy to the scale or service company.	6. No reports on test results or on condition of scales available to stockmen or their representatives.
7. All weighing done by weighmasters employed by the stockyards company and having no financial interests in either livestock buying or selling.	7. Weighing done by the buyer or by his employees.
8. Weighmasters to operate scales according to printed instructions formulated by government scale engineers.	8. Weighing directed by buyer, under no regulations.
9. Scale tickets to be cut (punched) only for the weights of livestock actually on the scale.[1]	9. No restrictions on punching of scale tickets.[2]

To illustrate the difference between light and heavy load tests, Figs. 11 and 12 are shown. The first shows 31,000 pounds of calibrated standard-scale test weights on the hog scale at the Lafayette, Indiana, Union Stock Yards—a small public market under the supervision of the Packers and Stockyards Administration. The other shows 3,000 pounds of standard-scale test weights on a farm scale, this being 1,000 pounds (or 50 percent) more weight than is used in testing the scales at many local livestock markets.

The opinion of packers regarding the dependability of weights at some local markets is illustrated by the following statements.

A prominent operator, recognized thruout the trade as competent and honest, said recently that "probably more hogs are weighed wrong at country points [local markets] than are weighed right." This may of course, result quite as much from inaccurate or neglected scales as from dishonesty on the part of the local operator.[3] It is common knowl-

[1] Violation of this rule has been observed in a few very small yards under federal supervision but not in any of the larger markets.

[2] One local market is reported to have an extra type-registering scale beam mounted in its office, not connected to a scale in any way, for the convenience of the bookkeeper in cutting scale tickets to be attached to packers' bills for livestock shipped.

[3] The actual experience of a stockman who markets several carloads of hogs yearly is pertinent. During 1933 this stockman sold three lots of hogs to a local market, selling at the same station and to the same manager each time. On the first sale he received the same or a slightly better price than he would

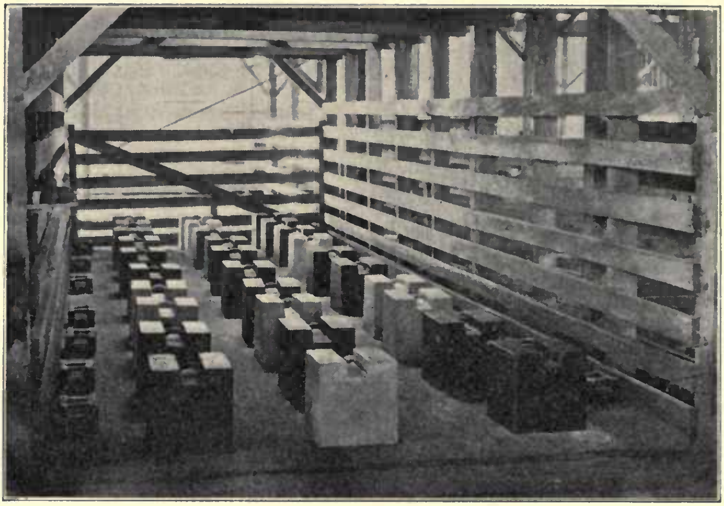

FIG. 11.—STANDARD-SCALE TEST WEIGHTS ON THE HOG SCALE AT THE LAFAYETTE, INDIANA, UNION STOCKYARDS

Heavy load tests, developed thru the cooperation of engineers of the Packers and Stockyards Administration, are now used in nearly all terminal livestock markets. The weights shown here total 31,000 pounds.

FIG. 12.—STANDARD-SCALE TEST WEIGHTS ON THE PLATFORM OF A FARM SCALE

The scales at many local livestock markets are tested by using only 2,000 pounds of weights, just two-thirds of the weights illustrated here and less than one-fifteenth of the test load shown on the scale in Fig. 11.

edge in the trade[1] that certain eastern packers have found that the weight of hogs purchased at certain local markets was more at their plants—off cars, without feed or water—than the weight at which the hogs were billed to them at the local yard where they were purchased. Nationally known operators of unquestioned ability and integrity have told of the following practice at some local markets. In country driving, the operators of these local markets noted the farms that had scales; if a truckload of hogs came from an unknown farm, the buyer casually asked if there were scales at the farm or if the hogs had been weighed; if the owner replied in the negative, he was asked his opinion of their weight; even if they weighed much more than he estimated, the weight was reported as but slightly more; the owner was paid on that basis and congratulated as being both an excellent judge of weights and a good feeder. This practice was not originated by present-day local livestock markets. It was employed by unscrupulous country buyers years ago.

At some points it has been observed that farmers seldom bother to weigh a calf or two. Consequently operators of flexible integrity often find it convenient to make mistakes in weighing them at the yard.

Another type of procedure is of interest to sellers and buyers alike. For instance, two decks of calves, penned together, may be sold for shipment to two different buyers. The first deck is sorted off, weighed, and billed at their actual outgoing weight. The other deck is then billed to the second buyer at the original purchase weights of both lots, less the actual loading-out weight of the first deck. In other words, the second deck carries all of the shrinkage for both lots, a convenient means of favoring one buyer at the expense of another. This

[1]The writer has received numerous specific statements on this situation by several responsible operators but possesses no written data.

have had at the terminal market. Some weeks later, when a second carload was ready, the manager asked him to bring them in. The stockman said that he felt that his first lot had not weighed as much as they should altho he had not weighed them elsewhere and could not be sure. The manager promised to weigh the second load himself to make sure there was no mistake. The hogs were delivered at the local market and this time the price was 35 cents below the terminal price on the same day. Later when a third lot was ready to go, the manager again asked to buy them. Nothing was said about weights, but on the way to the local yard, the owner had the hogs weighed over a city scale. This time the price was 10 to 25 cents below the terminal price and the scale tickets at the local market showed over 600 pounds less weight than the city scale. The writer holds the seller's signed statement setting forth the above transactions in detail. Here was a variation of more than 3 percent between two scales only a few blocks apart, and a difference of some twenty dollars to the stockman. It is true, of course, that either or both scales may have been in error.

may explain the occasional use by packers of the term "favored buyers."

One packer who buys a large volume of livestock from country points said to the writer in October, 1933: "The local market operators with whom I deal are of three classes: (1) those whom I have every reason for believing to be honest and straight-shooters; (2) those who make mistakes because of ignorance or carelessness; and (3) those that I know are going to gyp me every time they can. I check every shipment from this third class of operators and whenever a load falls short in any way I bill the shipper at once for the difference—and I don't buy from him again until he makes it good. More, they usually pay it without question. And when you bill a man for shortage and he pays it without question or argument, you know at once what kind of a chap you are dealing with." Many local market operators neither employ nor condone such practices. But the existence of these practices, even if only at a few points, is sufficient to justify stockmen in looking to their own interests.[1]

The following statement, attributed to a Minnesota stockman, indicates that stockmen may be giving attention to this question of weights:

"' . . . . I do not accuse all direct buyers of having "fixed" scales, but there have been some who have been caught with scales in our part of the state which were far off, to the buyers' advantage, of course. There is always . . . . danger of such a thing being repeated, and I have no doubt that it is being done daily without the knowledge of the farmer.

"'Such a buyer can easily pay a better price than anyone else, making up the difference on weights. . . .'"[2]

Stockmen patronizing local markets should first make certain whether they are dealing with a "trading" market where every patron looks out for himself, or with a "business" market where all patrons are treated alike and all transactions are on the level.

Outlook for Marketing Costs.—Thus there are two very definite points of view from which livestock marketing costs may be considered—that of the individual stockman and that of the industry. Until enough stockmen see the problem from the industry standpoint, no real progress can be made in reducing livestock marketing expense or—what is even more important from the standpoint of dollars and

[1]This discussion on scales and weights was submitted to an operator who is well-informed on conditions at local markets and also knows thoroly scales and weighing. After reading the section he commented that it was all right, adding, "If I were to offer any criticism it would be that you have told but half of what might be said."

[2]Chicago *Daily Drovers Journal,* July 12, 1933, p. 2.

cents—in increasing livestock marketing efficiency. Whether enough stockmen will consider the industry point of view to compel the adoption of a system that will be both effective and economical remains to be seen. Comparatively few producers have as yet realized that 10 cents a hundredweight increase in the price-level of hogs is much more important than a 5- or 10-cent saving here and there in marketing expense. When a majority of stockmen give as much thought to the means of improving livestock marketing methods as has long been given to ways of reducing costs, real improvement will not be long delayed.

The two systems of marketing now carried by the livestock industry—the terminal market system and the local market system—have their respective advantages and disadvantages. What is needed, so far as the interests of hog producers are concerned, is a more effective coordination of the two systems or the definite abandonment of one or the other. Whatever the system or systems to be employed, stockmen will pay the costs of operation. If terminal markets are to be abandoned or their receipts reduced to a point where their prices are no longer a dependable indicator of market value, some other price-determining mechanism will have to be set up. Otherwise stockmen will be dealing with innumerable uncoordinated local markets.

If the local market system is to be the accepted method of hog marketing, producers cannot expect to receive the material benefit of possible savings unless they so direct their marketings as to limit the number of local markets, patronize only the more effectively operated yards, and afford to each sufficient volume to enable it to operate effectively, ruthlessly eliminating all superfluous and inefficient points.

In-Transit Privileges and Discriminatory Freight Rates

The most disturbing factors in present day livestock marketing operations are (1) preferential treatment by the railroads in granting in-transit privileges; and (2) existence of freight rates that are discriminatory between fresh meats and livestock.

By refusing in-transit privileges to midwest terminal markets the railroads have, in effect, fenced Illinois stockmen out of the Chicago market by enabling local markets to move hogs to eastern points at freight cost lower than to the same points by way of the Chicago market. By granting interior packers freight rates on fresh meats that were but three-fourths of the rates assessed on live hogs, the railroads have said to Chicago packers, in effect, that their slaughter operations must be transferred to Iowa or southern Minnesota points.

Effect of In-transit Privileges Given Local Markets.—Local livestock markets generally have the privilege of in-transit rates, while similar privileges are denied the terminal markets lying east of Denver and west of Indianapolis. As a consequence local markets, in this respect, have a definite advantage.

First of all, livestock shipments as a class are at a distinct disadvantage in regard to transit privileges, as compared with most commodities. A statement by Mr. Chas. E. Blaine, Phoenix, Ariz., appearing as attorney for the American National Live Stock Association is of interest in this connection:

"[Reconsigning and diversion include:] Compression and storage of cotton in transit; refining crude glycerine; . . . . concentration and storage of butter, cheese, poultry, and eggs; . . . . dressing, milling, storing and sorting lumber; storage of fresh fruits; . . . . storing, sorting, or grading of wool; storing and assembling of agricultural implements; cleaning of various classes of agricultural seeds; cleaning and shelling of peanuts; crushing rock or shale; . . . . milling, bleaching, cleaning, grading, sacking, repacking, and drying and shelling grain and feeds . . . ."[1]

The following statement[2] by Mr. L. M. Pexton, Assistant General Manager of the Denver Union Stock Yard Company, is also of interest:

" . . . we desire to say that we believe it only fair and proper that livestock be accorded the privilege of changing ownership in transit at the through rate from point of origin to whatever the destination may be, if through rates are carried to such destination. So far as we know, livestock is the only commodity which has been singled out for a combination of local rates, because it does change ownership."

As to the immediate question of the disadvantage to the terminal markets from the in-transit rate situation, a statement by Mr. A. H. Priest, Traffic Manager of the Live Stock Traffic Association, Fort Worth, Tex., is pertinent:

"Question: . . . . Did you say that you can reconsign or divert livestock from any point in the southwestern territory other than public livestock markets?"

"Answer: (Mr. Priest): No, I said that you may reconsign livestock anywhere in the western district except at public livestock markets. . . ."[3]

It appears that, at least as regards hogs, Mr. Priest's statement could as well apply to the entire corn-belt region. Just previously Mr. Priest had said:

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[1]Before the Interstate Commerce Commission, Dockets 25123, 25449, at Chicago, Feb. 13-16, 1933, Vol. 1, p. 194.
[2]Same, at Denver, Colo., Jan. 23-Feb. 9, 1933, Vol. 1, p. 1846.
[3]Same, at Excelsior Springs, Mo., Dec., 1932, Vol. 2, p. 557.

"The southwestern markets have grown up under these rules [transit privileges] and their cancellation has had an adverse effect upon their business. . . . When they [buyers] learned that the rule [transit privileges] had been cancelled, they . . . . went into the country to buy . . . . Fort Worth is the price-fixing market for the territory south and west of it."

Mr. P. R. Wighton, Traffic Commissioner of the Sioux City, Iowa, Traffic Bureau, cited a striking illustration of how the present in-transit rate discrimination disadvantages the terminal market:[1]

"Assume a buyer for a Chicago packer, or some speculator, intercepts a shipment of fat cattle at Mitchell and offers the owner of such cattle the full Sioux City market price on that day. . . . . The inducement to the owner of the cattle is that he may be saved the further haul into Sioux City, and he may save the difference between the rate . . . . of 17 cents, and the rate . . . . of 27 cents. Right there he has gained 10 cents per hundredweight and saved a trip to market. The purchaser can afford to pay the Sioux City market price at Mitchell because his balance of freight rate on to Chicago is only 31 cents; whereas, if he bought these cattle at Sioux City, the cost of delivering them in Chicago would be 41 cents."

Another aspect of the problem was developed in the testimony of Mr. C. B. Heineman,[2] Traffic Manager of the Kansas City Stock Yards Company, Kansas City, Mo. On the witness stand Mr. Heineman was asked whether allowance of in-transit rates to local markets and refusal of them to the primary markets worked to the disadvantage of the primary markets. He cited local livestock markets at Prospect, Mo., (on the Missouri Pacific Railroad just outside the city limits but inside the switching limits of Kansas City, Mo.) and Morris, Kans., (on the Atchison, Topeka & Santa Fe just outside the switching limits of Kansas City, Kans.) that were now actively competing with the Kansas City market, soliciting shippers from that market and extending to them privileges (in-transit rates with change of ownership) that are denied to the Kansas City Union Stock Yards; and even soliciting cattlemen in the Exchange Building at the Kansas City yards and taking their patronage off the terminal market. He pointed out that while the two points are not posted markets under the supervision of the Packers and Stockyards Administration, they are very definitely operating as public markets.

Mr. R. M. Harben, Traffic Manager of the Sioux City Stock Yards Company, emphasized the importance of transportation expense in determining where packers will buy their livestock for slaughter:

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[1]Same, p. 451.
[2]Same, Vol. 1, pp. 161-167. Pertinent sections of this testimony are presented verbatim in *Appendix E*, page 611.

". . . . One principal factor which influences the placing of orders by purchasers for livestock on a particular market is the ability to buy as cheap or cheaper than can be bought on any other market.

"As the transportation charge is a substantial and important portion of the delivered price . . . . at any eastern slaughter point, ... the net or aggregate transportation charge from source of production thru one market or shipping point versus another market or shipping point is a principal factor as to which livestock market point obtains the business."[1]

The freight advantages resulting from one direct thru movement instead of a combination of two movements has already been discussed (Part II). It was shown (Table 11) that, on the basis of the Chicago market, the average saving possible from twenty-five Illinois points to nine eastern points was 15.2 cents a hundredweight. On the basis of the East St. Louis market the corresponding average (six Illinois points and the same nine eastern points) was 18.2 cents; on the Indianapolis market basis (nine Illinois points and nine eastern points) it was 14.4 cents; on the basis of the Cincinnati market (four Illinois points and nine eastern points) it was 13.8 cents. At the same time the Chicago and East St. Louis markets are definitely discriminated against in the matter of in-transit rates.[2]

Forthcoming decisions by Interstate Commerce Commission under Dockets 25123 and 25449 will be important and may have far-reaching effects on our livestock marketing system. Of the issues involved in these dockets Mr. H. R. Park, Traffic Manager of the Chicago Live Stock Exchange, gave upon request this brief summary:

"Previous to January 25, 1932 there was in effect at all western markets railroad tariff provision that permitted the sale on those markets of livestock and the forwarding to final destination at the balance of the thru rate from the original station to the final destination.

"The railroads cancelled that arrangement at all points except Denver, Ogden and certain other points in that territory January 25, 1932.

"This created a situation where stock changing ownership at the Missouri River markets moved to final destination at a combination of locals into and out of the market 10 cents to 15 cents and as high as 25 cents per hundred pounds higher than the thru rate. This therefore placed Denver and Ogden in a highly advantageous position as it permitted

[1]Same, pp. 486-487.

[2]In this connection note the following statement by Mr. H. D. Timberlake, of the St. Louis National Stock Yards Company, in Jan., 1933: "I have endeavored to compile a complete list of points in Illinois at which transit privileges, including sorting, consolidation, double-decking of hogs, partial unloading or the finishing of loading, at thru rates or the lowest combinations of proportionals, *with change of ownership* is allowed and I find that at the present time there are 43 such points in the State of Illinois alone. . ." I. C. C. Dockets 25123, 25449, at Denver, Colo., Jan. 23-Feb. 9, 1933, Vol. 1, p. 1763.

eastern order buyers, for instance, to buy stock on the Denver market and move it thru to the eastern destination at the balance of the thru rate.

"In numerous instances the actual balance of the rate paid by the eastern packers is no more than the local rate from the Missouri River market to their plants.

"This therefore attracted much business to Denver and Ogden to the detriment of the Missouri River markets, particularly Omaha. In other words the receipts showed increases at the mountain markets and corresponding decreases at the central western markets.

"For some reason known only to themselves the railroads very seriously aggravated this situation by publishing rules permitting change of ownership at almost every other point except public markets.[1] For instance, the shipments could move into the Fremont Yards, there sell to an eastern order buyer and then move on to New York at the thru rate; whereas the same shipment moving in to Omaha and there selling would pay the full combination of locals.

"The Missouri River markets filed complaints with the Interstate Commerce Commission alleging discrimination in favor of the mountain markets and feeding yards such as Fremont, etc.

"The western packers apparently saw an advantage in the present arrangement in that their eastern competitors are compelled to pay the full local rate on their purchases made on the Missouri River markets and they therefore opposed the extension of the transit privileges."

While railroad executives differ as to the practicability of granting the privilege of in-transit rates to the terminal markets, yet it appears clear that such privileges would not only do more to restore livestock traffic to the railroads than any other measure that could be adopted, but would also in the long run tend to increase railroad revenue from livestock freights rather than to decrease it.[2]

A Champaign county shipper who sends considerable livestock to Indianapolis regards the in-transit (thru-billing) privilege in effect on that market as worth 10 to 15 cents a hundredweight[3] on every car of cattle.

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[1]Information on the early phases of this development is given in the following statement by the Interstate Commerce Commission (in *National Livestock Exchange vs. C. B. & Q. R. R. Company*, 47 I. C. C. 380, at page 389): "The first transit arrangement on hogs under tariff authority was established at Boone, Iowa, in February, 1890. Shipments under transit were made prior to that time without tariff authority. For example, from Valley Junction John P. Squire & Company has made such shipments for more than 25 years; from North McGregor to Milwaukee, Indianapolis, and Detroit such shipments were made over 30 years ago; and an arrangement has been in effect at Savanna for more than thirty years with respect to shipments east of the Mississippi River . . . ." This decision was handed down by the Interstate Commerce Commission on November 30, 1917.

[2]Inasmuch as the average truck haul to the Chicago market now averages one hundred miles, it is clear that the volume which the railroads might regain is decidedly worth while.

[3]Information given to the writer personally in September, 1933.

From the evidence cited it appears that the primary markets of the Mississippi Valley have been seriously handicapped by a refusal of in-transit rates on livestock, a privilege allowed to local points upon request for many years.

If in-transit rates were accorded at the Chicago yards, that would at once eliminate the freight advantages now enjoyed by most Illinois local livestock markets and would thus remove one of the primary incentives for their establishment.[1] Further it would offset much of the present decentralizing tendency in hog marketing, would thus strengthen the stockman's position by a greater centralizing of selling operations, and at the same time would increase buying competition by making a greater portion of the supply more readily available to all buyers and by putting all packers on an even basis in procuring their hog supplies. Whether results would follow at Chicago would likewise develop to a considerable extent at other terminal markets.[2]

Effect of Low Freight Rates on Fresh Meats.—The surprisingly low freight rates in effect on fresh meats from interior points to Chicago and to St. Louis have given interior packers a preferred position in the Chicago and St. Louis meat trade, enabling them to sell meats cheaper than plants operating at Chicago or St. Louis. By maintaining very high freight rates on live hogs from interior points to Chicago and St. Louis, the railroads have made it almost impossible for Chicago and St. Louis plants to buy hogs from interior territory and process and merchandise them in competition with interior packers.

Moreover, by virtue of their extremely low fresh-meat rates into Chicago, interior packers have enjoyed lower fresh-meat rates to all eastern points and have thus been enabled to undersell plants operating anywhere in that territory. For example, the freight rate on live hogs (double deck) from Des Moines to Chicago is 34 cents. On fresh meats it is but 25 cents, or 73.5 percent of the live-hog rate. If the relationship were 140 percent of the live-hog rate, as is in effect in many areas, the fresh-meat rate would be 47.6 cents instead of 25 cents. In other words, interior packers enjoy, on movements to Chicago, a fresh-meat rate but little over half of the comparable rate

[1]In the Interstate Commerce Commission hearings previously referred to, Mr. Pexton was asked if he had testified that in-transit privileges would affect the amount of direct buying. He replied: "No, I think I testified that the lack of transit [at terminal markets] would increase it . . . . that is my belief and it can be proved." I.C.C. Dockets 25123, 25449, at Denver, Colo., Jan. 25—Feb. 9, 1933, Vol. 1, pp. 1963-1964.

[2]The Big Packers are said to be definitely opposed to granting in-transit privileges to the primary markets. Some groups of packers favor it. Some railroad executives approve, but the majority are opposed even to trying it.

commonly in effect. How this handicaps the Chicago packers is readily seen.[1]

A similar situation is effective at the seven important interior points, as shown by data in Table 13.[2]

It is clear that interior packers have a marked advantage in selling pork in Chicago in competition with a Chicago packer trying to buy Iowa hogs for slaughter in Chicago. The result is that when competition from interior packers becomes too keen, Chicago packers try to meet it by paying less for their hogs. But as the price for hogs goes down at Chicago, it goes down correspondingly at interior points. The freight differential—9 cents a hundredweight from Des Moines—being fixed, the lower the price of hogs the greater the advantage accruing to interior packers. Chicago packers have not then improved their competitive position, but both Chicago and interior prices are lower.

Whereas the Des Moines-Chicago rate on fresh meats and packinghouse products is only 73.5 percent of the rate on live hogs ($25 \div 34 = .735$), that between Chicago and New York is 149 percent ($79 \div 53 = 1.490$) of the live-hog rate. From Omaha to Chicago the rate on live hogs is 40 cents, with a 36-cent rate on fresh meat and on packinghouse products, the latter being 90 percent of the live-hog rate, as against 73.5 percent from Des Moines to Chicago and of 149 percent from Chicago to New York.

When hogs were 8 cents a pound, the situation was not so serious. But with hogs at 3 cents a pound, and the freight differential ($34 - 25 = 9$ cents) the same as before, the handicap is almost insurmountable.[3]

This same type of discrimination is evident likewise at St. Louis, where there are preferential freight rates on fresh meats from Iowa and Omaha packers. For example the live-hog rate (double deck)

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[1]On a double-deck carload of hogs from Des Moines to Chicago, the freight charge on 24,000 pounds would be $81.60 ($24{,}000 \times 34$ cents a hundredweight). At Chicago there would be a terminal charge of $2.70. Calculating 68 percent of the live weight of the hogs as edible product and adding 11.5 percent (of the 68 percent) for containers, the freight bill for hauling the fresh meat from these hogs at carload rates would be $45.49 (18,196.8 pounds at 25 cents a hundredweight), with no extra terminal charges at Chicago. If the fresh-meat rate were 140 percent of the live-hog rate, as is the common relationship, the fresh-meat rate would have been 47.6 cents, and the freight charge on 18,196.8 pounds at 47.6 cents a hundredweight would be $86.62 instead of $45.49, a difference of $41.13 in favor of the Des Moines packers. The fresh-meat rate from Ottumwa is even more favorable than that just cited. Thus the Chicago packer who wishes to buy Iowa hogs for slaughter at Chicago is at a disadvantage of 16 cents a hundredweight ($\$38.81 \div 24{,}000$) compared with the interior Iowa packer.

[2]One would be interested in a railroad traffic expert's defense of some of the rate relationships shown in Tables 13 and 14.

[3]Two factors largely determine where hogs will be slaughtered: the relationship between freight rates on live hogs and on fresh meats; and the distance

TABLE 13.—FREIGHT RATES ON HOGS, FRESH PORK, AND PACKING-HOUSE PRODUCTS FROM INTERIOR IOWA AND MINNESOTA POINTS TO SEVEN EASTERN CITIES[1]

(Cents per hundredweight. Double-deck rates on live hogs)

From—	To Chicago	To Indianapolis	To Detroit	To Buffalo	To Philadelphia	To New York	To Boston
Austin, Minn.							
Hogs	34	46	56	65	75	77	77
Fresh pork	27½	51½	58½	71½	96	98	98
Packing-house products	24½	39	46	55	67	69	71
Cedar Rapids							
Hogs	28	41	50	60	70	72	72
Fresh pork	20½	47	54	67	91½	93½	93½
Packing-house products	20½	35½	41½	50½	62½	64½	66½
Davenport							
Hogs	24	42	46	47	57	59	59
Fresh pork	20	40½	47½	60½	85	87	87
Packing-house products	20	30	36	49	56	58	60
Des Moines							
Hogs	34	49	60	68	78	80	80
Fresh pork	25	51½	58½	71½	96	98	98
Packing-house products	25	40	46	55	67	69	71
Mason City							
Hogs	34	46	58	65	75	77	77
Fresh pork	27½	51½	58½	71½	96	98	98
Packing-house products	24½	39	46	55	67	69	71
Ottumwa							
Hogs	31	41	53	60	70	72	72
Fresh pork	22	48½	55½	68½	93	95	95
Packing-house products	22	37	43	52	64	66	68
Waterloo							
Hogs	31	45	53	64	74	76	76
Fresh pork	24½	48½	55½	68½	93	95	95
Packing-house products	24½	37	43	52	64	66	68

[1]Data in this table were furnished thru courtesy of Mr. E. L. Kemp, General Joint Railroad Agent, Chicago Union Stock Yards, and Mr. H. R. Park, Traffic Manager, Chicago Live Stock Exchange.

from Des Moines to East St. Louis is 34 cents a hundredweight, while the fresh-meat rate is 30½ cents or 89.7 percent of the live-hog rate. From Omaha the live-hog rate is 36 cents and the fresh-meat rate is 28 cents or 77.8 percent of the live-hog rate. These facts would indicate that East St. Louis packers are at a disadvantage in their own market because of preferential freight rates.

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that dressed pork can be shipped and put into the hands of the consumer in as fresh and flavorful condition as locally dressed pork. Hog producers are not concerned as to whether hogs are slaughtered west or east of the Mississippi; they should be much concerned that there be available to the maximum number of consumers the full volume of product that they can use to advantage and in the form that they prefer; that no discriminatory freight-rate situations be allowed to handicap any group of packers in supplying that product. Some 53 million of the population live east of the Illinois-Indiana line and north of the Ohio and the Potomac—the great consumers' market of the nation. Contrast that with nearly 8 million population in Illinois and 2.5 million in Iowa. So long as any large part of the 53 million prefer home-killed pork, good business would indicate the desirability of continuing to make it available to them.

Interior packers also enjoy freight-rate advantages in putting their product into eastern consuming centers. Table 14 gives a few comparisons illustrative of existing freight-rate irregularities.

TABLE 14.—COMPARATIVE FREIGHT RATES ON LIVE HOGS AND FRESH MEATS FROM OMAHA, DES MOINES, AND OTTUMWA TO CHICAGO, AND FROM DES MOINES, OTTUMWA, AND CHICAGO TO NEW YORK
(Cents per hundredweight, live hogs in double-deck cars)

	Live hogs	Fresh meats	Fresh-meat rate as percentage of the live-hog rate
			perct.
Des Moines to Mississippi river	20	11	55.0
Des Moines to Chicago	34	25	73.5
Des Moines to New York	77	98	127.3
Chicago to New York	53	79	149.1
Ottumwa to New York	72	95	131.9
Ottumwa to Chicago	31	22	71.0
Omaha to Chicago	40	36	90.0

The rise of the interior packers has attracted attention thruout the industry. That the volume of their business has expanded rapidly is indicated by Table 15, the seven interior points showing, in relation to total federal inspected hog slaughter, an increase of 120.6 percent for the 1932-33 fiscal year as over that for 1919-20; whereas for the five terminal markets fringing the Iowa-Minnesota territory slaughter decreased 17.8 percent. Their growth has been attributed to various conditions, among them: (1) cheaper hogs, (2) better hogs, (3) lower overhead and operating expense, and (4) more efficient labor. The freight-rate advantages of the interior packers have, as far as is known, not been widely published as a major factor in their success, altho it has been shown that these packers (at Des Moines, for example) enjoy an apparent advantage of 22.6 cents (47.6 — 25) a hundredweight, or practically ¼ cent a pound, in comparison with rates frequently found, on movement of fresh pork into Chicago. Any packer is aware of the significance of that amount of advantage during the last three years.

In connection with this important matter of freight-rate relationships, a pertinent statement by an authority in the transportation field is illuminating:

"Some of the best examples of unjust discrimination between both competitive and non-competitive commodities are to be found in the rates on live stock and packing-house products. The Interstate Commerce Commission once estimated the value per 100 pounds of live hogs at from $4.50 to $4.75 and of dressed pork at $7.50. . . . In one case, (Chicago Live Stock Exchange *vs.* C. G. W. Ry. Co. *et al.*, 10 I. C. C. Rep., 428) the Com-

TABLE 15.—FEDERALLY INSPECTED HOG SLAUGHTER: TOTAL FOR THE UNITED STATES, TOTAL AT FIVE MIDDLE-WEST MARKETS, TOTAL FOR IOWA AND MINNESOTA, AND TOTAL AT SEVEN INTERIOR PACKING PLANTS, YEARLY, 1920-1933[1]

Fiscal year ending June 30	Total for United States	Total at five Middle-West markets[2]		Total for Iowa		Total for Minnesota		Total at seven interior packing plants[3]	
	Head	Head	Percent of U. S.	Head	Percent of U. S.	Head	Percent of U. S.	Head	Percent of U. S.
1920	38 981 914	9 896 040	25.39	3 129 394	8.03	2 620 015	6.72	2 285 452	5.86
1921	37 702 866	8 875 255	23.54	3 007 594	7.98	2 729 310	7.24	2 376 726	6.30
1922	39 416 439	8 934 068	22.67	3 148 759	7.99	2 828 440	7.18	2 601 331	6.60
1923	48 600 069	12 727 468	26.19	3 889 035	8.00	3 768 050	7.75	3 263 371	6.71
1924	54 416 481	13 379 218	24.59	5 081 920	9.34	4 513 257	8.29	4 306 687	7.91
1925	48 459 608	12 532 746	25.86	5 093 103	10.51	4 481 407	9.25	3 976 502	8.21
1926	40 442 730	9 420 659	23.29	4 440 827	10.98	4 191 099	10.36	3 899 166	9.64
1927	42 650 443	9 927 374	23.28	4 868 623	11.42	4 251 251	9.97	4 346 307	10.19
1928	48 347 393	10 837 747	22.42	5 304 779	10.97	4 209 872	8.71	4 750 749	9.83
1929	47 163 573	10 187 483	21.60	5 097 936	10.81	3 966 847	8.41	4 817 350	10.21
1930	46 688 860	10 230 250	21.91	5 266 929	11.28	4 151 408	8.89	4 838 801	10.36
1931	44 020 633	9 435 093	21.43	5 383 736	12.23	3 830 999	8.70	4 839 308	10.99
1932	45 852 422	10 059 652	21.94	6 071 508	13.24	3 902 540	8.51	5 420 018	11.82
1933	45 698 053	9 542 143	20.88	6 059 132	13.26	3 526 951	7.72	5 634 190	12.33

[1]Data from Bureau of Animal Industry, U. S. Department of Agriculture.
[2]Kansas City, St. Joseph, Omaha, Sioux City, and St. Paul.
[3]Cedar Rapids, Des Moines, Mason City, Ottumwa, and Waterloo in Iowa; Albert Lea and Austin in Minnesota.

mission, basing its findings on the testimony of railway experts, held that the cost of hauling packing-house products was the greater. In the same case, on the basis of the same testimony, of the same experts, the courts held that the cost of hauling live stock was the greater. This illustrates the difficulty sometimes met in finding out what is the cost of transportation! The case mentioned grew out of the Chicago Great Western's having reduced the proportional rate on packing-house products from the Missouri River to Chicago from 23½ to 18½ cents in consideration of a contract with the packers on the Missouri River, under which it was to be given a stipulated part of their business for seven years. There being no corresponding reduction made in the rate on livestock, this made the packing-house products rate substantially lower than the live stock rate, which tended to cause live stock to be killed at the packing houses on the Missouri River, rather than in Chicago. The Chicago Live Stock Exchange complained that this was an unfair discrimination against the live stock traffic and against the Chicago market. The Interstate Commerce Commission upheld it. 'The value of the article is important,' said the Commission, 'principally because of its bearing upon the value to the shipper of the transportation service; and the value of the service is, and has always been, considered by carriers one of the important elements to be considered when fixing rates to be charged for transportation.'

"The Supreme Court (I. C. C. *vs.* C. G. W. Ry. Co. *et al.,* 209 U. S., 106) overruled the Commission, holding that the rates were the direct result of competition between the carriers; that they have not changed the volume of traffic to Chicago; and that therefore an unlawful discrimination was not proved. Not one railway traffic officer or economist in a hundred would dispute that the rate principles stated by the Commission were correct, and that the making of the lower rates on packing-house products was economically unjustifiable. . . . This low rate on packing-house products was not merely unfairly discriminatory as compared with the rates on live stock. It was unfairly low as compared with practically every other rate of the railways making it. For example, the rate on mixed carloads of dressed poultry and eggs from the Missouri River to Chicago was 45 cents, or 150 per cent higher. Most of the railways recognized that it was at once so unfairly low as compared with the rates on other commodities, and so unremunerative because of the expensive service given for it, and that in 1910 all but two raised it back from 18½ to 23½ cents. . . ."[1]

For some months eastern packers have sought a way to correct the discriminatory situation in freight rates on fresh meats from interior packers. Thus far no solution has been found. Failing to secure necessary adjustments, eastern packers say that they will be forced to buy their hogs on the basis of a dressed cost comparable to the price of delivered product from interior packers; that such action would mean paying only 18 to 20 cents a hundredweight more for hogs in Chicago than at interior points, instead of a 30- to 50-cent differential as heretofore.

Such action would tend to restrict distributive outlets for interior packers, and might result in a reduction in the volume of their operations. Interests of the entire industry, including both livestock producers and packers would be much better served by a prompt and reasonable readjustment of present discriminatory rate relationships.

Individual stockmen cannot take time to study all these problems, altho it is their livestock that is involved and their money that must pay the bill. They must depend upon traffic experts for an adequate representation in traffic cases and for protection of their transportation interests.

Nowhere is there a sharper or more continuous clash of interests than in this field. The Big Packers are represented by skilled traffic managers and the ablest attorneys. The interior Iowa and Minnesota packers (Morrell, Rath, Hormel, and others), seeking to further their interests, also employ trained traffic men and able attorneys. The interests of the independent eastern packers are best served by a yet different traffic arrangement. The interests of livestock producers may not be best served by any set of traffic regulations that are entirely satisfactory to any one group of packers.

Traffic managers of the various exchanges and stockyards have, it is true, in scores of instances, rendered excellent service to stockmen, the traffic department of the Chicago Livestock Exchange being notable in this connection. But such traffic managers and traffic de-

[1]Dunn, S. O., "The American Transportation Question," D. Appleton & Company, New York, 1912, pp. 50-52.

partments are necessarily restricted by the interests of their particular market or markets; whereas traffic representatives of stockmen's own organizations have no such limitations and are free to attack these problems from the viewpoint of the industry as a whole. Such representatives are more needed now than ever before, and they will be needed even more in the future than now. Stockmen cannot afford to dispense with their services nor to employ other than the most effective traffic representatives available.

Inequalities in Prices of Hogs to Packers

In preceding sections it has been shown that packers are buying hogs cheaper from local markets than from terminal markets; that locals in some territories undersell those in others; that interior (Iowa-Minnesota) packers have a decided advantage because of discriminatory freight-rate relationships; and that packers consider the buying of livestock as cheaply as their competitors the first law of self-preservation. It has been pointed out that the larger packers have trained and well-organized buying agencies, mobile and able to take instant advantage of shifting market relationships, and that many packers with slaughter plants operating at terminal markets are able to influence those markets thru the distribution of country-purchased hogs which may be routed to their terminal plants for slaughter.

It is scarcely necessary to point out that the predominant and normal movement of meat animals and of meats is from the western surplus areas toward the eastern deficit areas. As a result, prices of meat animals have normally been lower as one proceeded west, higher as one traveled east.

The situation is apparently shifting. In November, 1933, for example, Indianapolis hog tops were at times as low as tops at East St. Louis or lower (Table 16). Under such circumstances it was difficult for the East St. Louis market to obtain orders from eastern packers. That may be why East St. Louis prices were lower than those at Kansas City, local slaughter taking a larger portion of the receipts at the latter market. Market operators say that the comparative price situation became further demoralized in December.

At East St. Louis an additional factor is apparently operative; viz., discriminatory freight-rate relationships on fresh meats from interior (Iowa) and from Omaha packers (see page 516). Moreover, Iowa packers, in addition to a favored position as to freight rates on products also got their hogs materially cheaper than East St. Louis packers (Tables 16 and 17).

TABLE 16.—DAILY TOP HOG PRICES AT SEVEN TERMINAL LIVESTOCK MARKETS IN SEPTEMBER AND NOVEMBER, 1933[1]
(Per hundredweight)

Date	Omaha	Kansas City	E. St. Louis	Chicago	Indianapolis	Cincinnati	Buffalo
Sept. 11	$4.15	$4.00	$4.40	$4.55	$4.70	$4.75	$4.90
12	4.20	4.10	4.50	4.65	4.50	4.75	5.00
13	4.30	4.15	4.50	4.75	4.50	4.65	5.00
14	4.35	4.30	4.65	4.75	4.70	4.85	5.25
15	4.45	4.50	4.90	5.00	4.90	5.00	5.25
Nov. 20	3.90	4.00	4.25	4.25	4.15	4.20	4.55
21	3.85	3.95	4.10	4.20	4.00	4.00	4.50
22	3.75	3.85	4.00	3.90	3.80	3.90	4.25
23	3.70	3.85	3.90	4.00	3.80	3.90	4.25
24	3.75	3.90	4.00	4.05	3.90	4.00	4.25

[1]The data in this table were assembled by Mr. J. H. Jefferson, of the Ohio Farm Bureau Federation, and are used with his permission.

As to why Indianapolis prices should be relatively so low there probably is no single answer. The comparative prices shown in Table 17 indicate, however, some very good reasons. Indianapolis order buyers, for example, had little chance to obtain orders from eastern packers at $4.70 when Findlay (Ohio) hogs were reported costing only $4.25 with Findlay considerably nearer eastern plants and moving its hogs on a lower freight rate. Furthermore Indianapolis packers could not pay $4.00 for hogs and sell the pork in competition with a Piqua (Ohio) packer who paid only $3.50 for his hogs.

In this connection comparison of prices reported for Findlay and Piqua with those for Chicago and for Columbus (Ohio), is of interest, a single day being taken for the purpose of illustration.

On November 20 the top price of hogs at Findlay was reported as $3.75 against $4.25 at Chicago, a difference of 50 cents. Findlay enjoyed an 11½-cent freight-rate advantage (double deck) over Chicago

TABLE 17.—DAILY TOP HOG PRICES AT TWO TERMINAL LIVESTOCK MARKETS AND FIVE LOCAL MARKETS IN SEPTEMBER AND NOVEMBER, 1933[1]
(Per hundredweight)

Date	Waterloo, Iowa	Mason City, Iowa	Chicago, Illinois	Indianapolis, Indiana	Findlay, Ohio	Piqua, Ohio	Columbus, Ohio
Sept. 11	$....	$....	$4.55	$4.70	$4.25	$4.25	$4.55
12	4.05	3.95	4.65	4.50	....	4.25	4.60
13	4.15	4.05	4.75	4.50	4.35	4.40	4.50
14	4.25	4.15	4.75	4.70	4.40	4.40	4.75
15	4.25	4.20	5.00	4.90	4.60	4.75	4.90
Nov. 20	3.95	3.80	4.25	4.15	3.75	3.90	4.10
21	3.85	3.70	4.20	4.00	3.65	3.50	3.85
22	3.60	3.55	3.90	3.80	3.30	3.50	3.75
23	3.65	3.55	4.00	3.80	3.40	3.40	3.75
24	3.70	3.60	4.05	3.90	3.50	3.50	3.75

[1]The data in this table were assembled by Mr. J. H. Jefferson, of the Ohio Farm Bureau Federation, and are used with his permission.

on shipments to New York. An eastern packer could thus buy hogs 61½ cents cheaper at Findlay than at Chicago (weights, sorts, grading, and shrinkage assumed to be equal). Chicago order buyers were obviously at a disadvantage in such a situation. Nor can Findlay hog raisers justify selling their hogs 50 cents under Chicago when they are nearer eastern consuming markets by 11½ cents a hundredweight.

The Piqua packer paid a reported top price of $3.90 for hogs, the Columbus packer $4.10, and the Cincinnati packer $4.20, all on the same day. The Piqua packer could easily truck meats into both cities, with an apparent live-cost advantage of 20 cents a hundredweight over one competitor and of 30 cents over the other.

Piqua and Chicago packers also provide interesting comparisons, assuming both were shipping fresh meats to New York for sale. The Chicago top price on November 20 was reported as $4.25, the Piqua price as $3.90, a difference of 35 cents a hundredweight; while the Piqua packer possessed a freight-rate advantage of 6 cents a hundredweight on fresh meats.

In order to make the above conditions clearer Fig. 13 is presented, showing the average top hog prices reported for the various points for five consecutive market days, November 20-24, 1933.

To the question why Findlay and Piqua prices were so low, there again is probably no single answer. The first responsibility should again perhaps be put on hog producers for their failure to realize real hog values or their lack of initiative in setting up a form of marketing[1] that would protect their interests. Second, too few private operators of local markets are interested in maintaining the price of hogs. A third explanation may be that with so many local markets offering hogs direct to eastern packers, those outlets may have been overloaded and thus were forced to lower their prices.

Similar situations in other territories could be cited. It is believed, however, that these demonstrate conclusively that inequalities in prices of hogs to packers are one of the fundamental difficulties in the plight of the livestock markets.

Probably existing price conditions forecast what may be expected rather generally during an indefinite period if terminal markets are abandoned or reduced to the importance of large local markets before an adequate corn-belt-wide system of coordinating local markets is developed.

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[1]Some of the responsibility probably rests with those leaders among stockmen who have spread the idea that any sale netting 5 or 10 cents more a hundredweight than that obtained by shipping to a terminal market is a step forward in merchandizing Ohio hogs.

One is tempted to add that if buying competition is in itself sufficient to equalize prices between markets, it has had excellent opportunities to demonstrate its efficacy.

To the extent that stockmen demand and receive their full share of savings made possible thru local market operation, will they help to lessen the present inequalities in the price of hogs to packers and bring local market prices more closely into line with terminal prices. The more nearly these objectives can be attained, the less opportunity

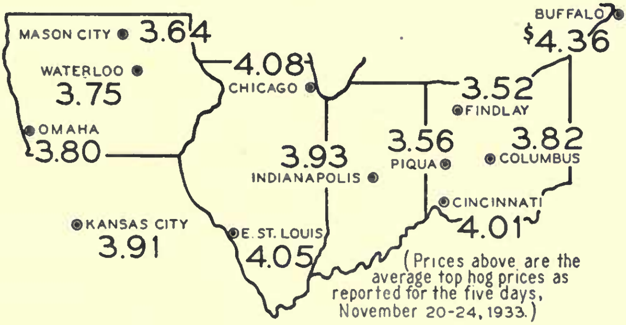

FIG. 13.—INEQUALITIES IN HOG PRICES AT TWELVE DIFFERENT MARKETS

It is surprising to find hogs quoted at lower prices at Ohio points than at Chicago and Indianapolis when the natural movement is toward the eastern seaboard and Ohio points enjoy lower freight rates to the coast than do either Chicago or Indianapolis. That the differences between the above markets during the five days indicated have prevailed over longer periods is shown by the following figures, which are average differences for the two months December, 1933, and January, 1934: Difference between Chicago and Mason City, —45 and —50 cents in December and January respectively; Waterloo, —37 and —43 cents; Findlay, —40 and —17 cents; Piqua, —38 and —23 cents; Columbus, —11 and +11 cents; East St. Louis, —6 and —1 cents; Indianapolis, —9 and +6 cents; Cincinnati, +3 and +20 cents. (From prices tabulated by J. H. Jefferson, Ohio Farm Bureau Federation.)

there will be for the vicious price-cutting cycles[1] that result from the present unequal competitive positions of various processors in the acquisition of live hogs. So long as one of the most inviting opportunities for competitive advantage between processors lies in unequal prices of raw material, just so long will the major influence of packer competition be distinctly on the side of price depression. On the other hand, if inequalities in the price of live hogs could be minimized or eliminated, then the influence of packer competition would center on the selling of product and should furnish better support to live-hog prices.

[1]See pages 564-571.

Effect of Local Markets on Volume of Terminal Market Receipts

Having reviewed some of the aspects of livestock marketing that are of basic importance in the relations developing between local and terminal markets, we may now consider the effects of local markets on the volume and quality of terminal market receipts and on buying competition at those markets.

Mention has been made of the volume of livestock not purchased in the public stockyards, this being officially reported as over 43 percent of all hogs marketed in 1932. The effect of this development on hog receipts and shipments at terminal markets is set forth in Table 18 and in Fig 14.

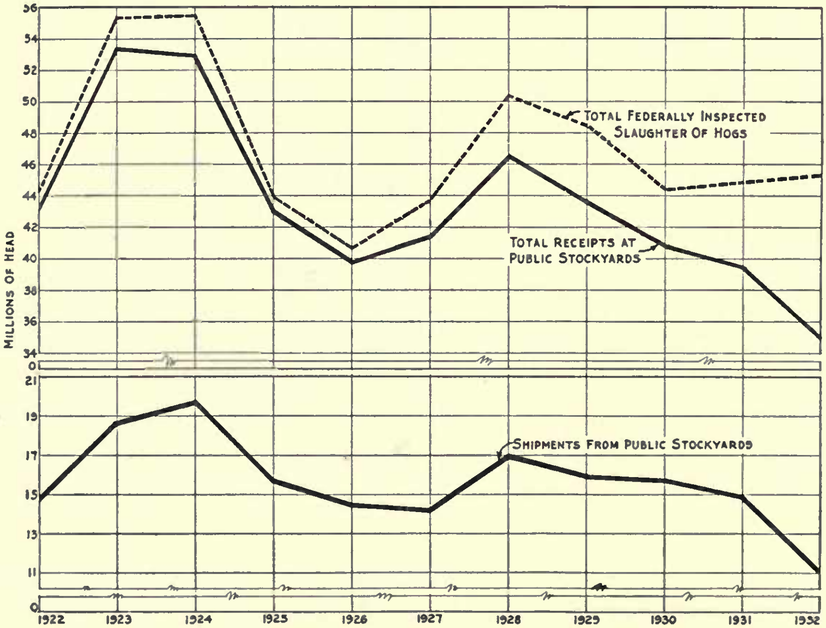

FIG. 14.—TOTAL FEDERALLY INSPECTED HOG SLAUGHTER, TOTAL HOG RECEIPTS AT UNITED STATES PUBLIC STOCKYARDS, AND TOTAL HOG SHIPMENTS FROM THESE YARDS ANNUALLY, 1922-1932

Receipts at the public stockyards continued to decline in 1931 and 1932, whereas total federally inspected hog slaughter increased during these same years.

Up to 1926 receipts of hogs at all public stockyards annually exceeded the federally inspected slaughter. In 1932 public market receipts were but 77.4 percent of the total federally inspected slaughter. It may

TABLE 18.—PROPORTION OF LIVESTOCK SLAUGHTERED IN THE UNITED STATES DURING 1924 TO 1932 THAT WAS PURCHASED IN PUBLIC STOCKYARDS AND THAT WAS OBTAINED FROM OTHER SOURCES[1]

Year	Cattle		Calves		Hogs		Sheep and lambs	
	Purchased in public stockyards	Other sources	Purchased in public stockyards	Other sources	Purchased in public stockyards	Other sources	Purchased in public stockyards	Other sources
	perct.	*perct.*	*perct.*	*perct.*	*perct.*	*perct.*	*perct.*	*perct.*
1924.........	90.77	9.23	87.08	12.92	77.95	22.05	83.60	16.40
1925.........	90.74	9.26	87.18	12.82	75.99	24.01	82.44	17.56
1926.........	89.80	10.20	85.28	14.72	72.85	27.15	84.64	15.36
1927.........	89.90	10.10	84.18	15.82	67.63	32.37	85.42	14.58
1928.........	89.90	10.10	85.10	14.90	64.56	35.44	86.31	13.69
1929.........	88.90	11.10	83.45	16.55	59.79	40.21	83.99	16.01
1930.........	88.25	11.75	81.80	18.20	59.86	40.14	84.71	15.29
1931.........	87.29	12.71	79.70	20.30	57.82	42.18	82.66	17.34
1932.........	84.64	15.36	75.37	24.63	56.95	43.05	80.20	19.80

[1]U. S. Department of Agriculture *Crops and Markets*, February issues for 1925 to 1933 inclusive. These data were first published for the year 1924.

be said that increasing buying of hogs *at packing plants* is responsible for a material part of the decreasing receipts at terminal markets. But since local markets, whether country stockyards, concentration yards, or direct buying points, have been the agencies thru which most of the diversion has been effected, it seems fair to say that their operation has greatly reduced terminal market receipts.

As direct buying has increased, more "direct" hogs have moved to or thru terminal markets and have often been included as receipts in the reports of those markets altho not offered for sale there. How such inclusion may make the situation at a given market appear very different from what it really is, is illustrated in Table 19 and Fig. 15.

TABLE 19.—HOG RECEIPTS (Total and Direct), SHIPMENTS, AND SALES, CHICAGO UNION STOCKYARDS, 1920-1932[1]

Year	Total receipts, number of head	Direct receipts, number of head	Directs as percentage of total receipts	Hogs actually on sale, number of head	Total shipments, number of head	Shipments as percentage of total receipts	Shipments as percentage of hogs on sale	Directs as percentage of hogs on sale
1920..........	7 526 120	198 673	2.64	7 327 447	1 656 528	22.01	22.61	2.71
1921..........	8 147 646	264 141	3.24	7 883 505	2 170 433	26.64	27.53	3.35
1922..........	8 156 472	387 317	4.75	7 769 155	1 852 289	22.71	23.84	4.99
1923..........	10 460 134	419 233	4.01	10 040 901	2 369 501	22.65	23.60	4.18
1924..........	10 443 175	139 039	1.33	10 304 136	2 989 326	28.62	29.01	1.35
1925..........	7 995 964	349 115	4.37	7 646 849	2 395 193	29.96	31.32	4.57
1926..........	7 092 529	326 430	4.60	6 766 099	2 108 120	29.72	31.16	4.82
1927..........	7 724 216	516 038	6.68	7 208 178	2 112 732	27.35	29.31	7.16
1928..........	8 539 405	957 074	11.21	7 582 331	2 144 996	25.12	28.29	12.62
1929..........	8 192 951	2 337 432	28.53	5 855 519	1 831 244	22.35	31.27	39.92
1930..........	7 869 914	2 702 620	34.34	5 167 294	1 786 295	22.70	34.57	52.30
1931..........	7 941 840	2 695 689	33.94	5 246 151	1 700 212	21.41	32.41	51.38
1932..........	6 602 237	2 253 910	34.13	4 348 327	1 035 684	15.69	23.82	51.83

[1]Data are from *Crops and Markets*, U. S. Department of Agriculture; from Bureau of Agricultural Economics, U. S. Department of Agriculture; and from the Union Stock Yards & Transit Company of Chicago.

In June, 1933, over 51 percent of the hogs reported as received at the Chicago Union Stock Yards were "directs," that is, they were owned by packers before they reached the Chicago yards and therefore not available for sale on the open market.

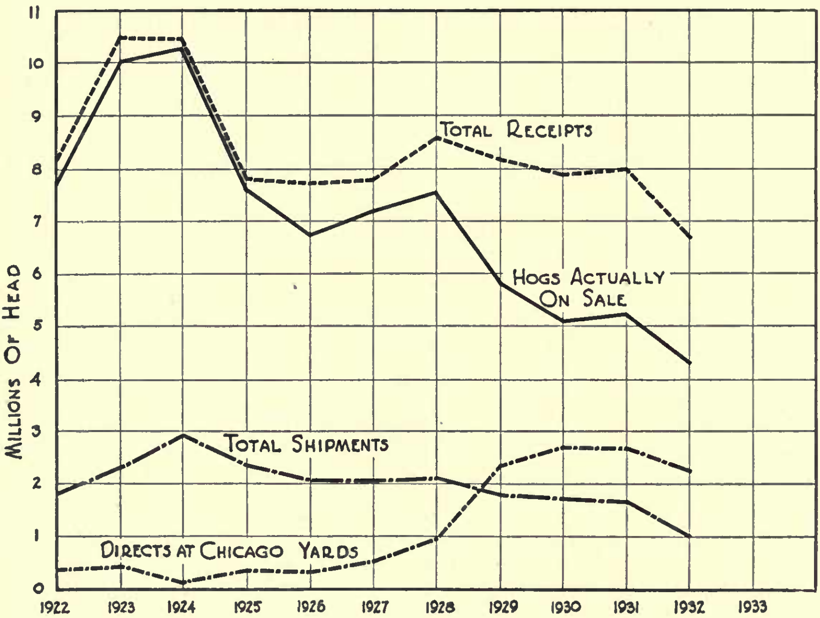

FIG. 15.—TOTAL HOG RECEIPTS, HOGS ACTUALLY ON SALE, DIRECT RECEIPTS, AND TOTAL HOG SHIPMENTS AT THE CHICAGO UNION STOCKYARDS, 1922-1932

At an important terminal market where large volumes of direct shipments of hogs are handled, the reporting of total hog receipts without indicating separately the volume of direct shipments, may give a very erroneous conception of the situation at that market.

As salable receipts offered at terminal markets decrease, stockmen must consider whether such diversion is affecting adversely any of their important customers, that is, packers who buy considerable numbers of hogs or who occupy important positions in the industry; whether the quality of market hogs is being lowered; whether buying competition is being restricted; whether the hog price-level is affected; whether marketing costs are reduced or increased—in short, how such developments are affecting the interests of both producers and packers. It may be added that developments that materially affect those groups also most inevitably affect consumers' interests.

Effect of Local Markets on Quality of Terminal Market Receipts

There has been much argument and little definite evidence on the question of the effect of local market operation upon the quality of hogs received at the terminal markets.

Why Quality Must Be Affected.—There can be no denying the swelling volume of hogs going around the terminal markets as the number of local markets has increased (Table 18). Since more local markets continue to be established, and since the volume of hogs going around the terminal markets continues to increase, one logically asks what conditions would have to obtain if the establishment and operation of local markets were not to affect the quality of terminal market receipts.

The answer is that the quality of terminal market receipts would remain unaffected by local market operations *only if*: (1) all local stockyards and concentration points were located wholly at random and in no sense selectively as regards hog population; (2) no hogs were reshipped from the local markets for sale on terminal markets; or (3) if such shipments, when made, were purely random samples from total local market receipts—gate cuts, as stockmen say—with no sorting or selection as to weight, class, or grade.

Quite to the contrary, however, every local market is situated in what its owner or operator regards as the best available location with respect to number and quality of hogs produced as well as to the degree of buying competition to be faced. Those areas are avoided where poor-quality hogs are grown, where disease is common, where farmers are careless feeders, where soft hogs are prevalent, or where buying competition is already too keen. It is equally well known that with local markets moving as many hogs as possible direct to packers, the more desirable weights and grades naturally sell first. What cannot be sold to advantage direct are consigned to terminals for sale on the open market. Operators thoroly familiar with these conditions assert that local markets consign many more hogs to terminals than is generally known. Such shipments are disguised in various ways in order that local livestock producers may not become informed. An example of this practice was recently observed in the shipment of hogs from a privately operated local market to a terminal: the car was billed as consigned by a cooperative association, the operator of the privately operated market being listed as manager of the cooperative. The chief asset of any local market operator is that every local stockman should believe that "all of his hogs go direct to packers."

Since conditions that would insure the quality of terminal market receipts to be unaffected by local market operations do not exist and, in the nature of the business, cannot exist, the logical conclusion is that local market operation has affected and is affecting terminal market quality. But evidence is not limited to deductions, nor to negations. There is positive support as well.

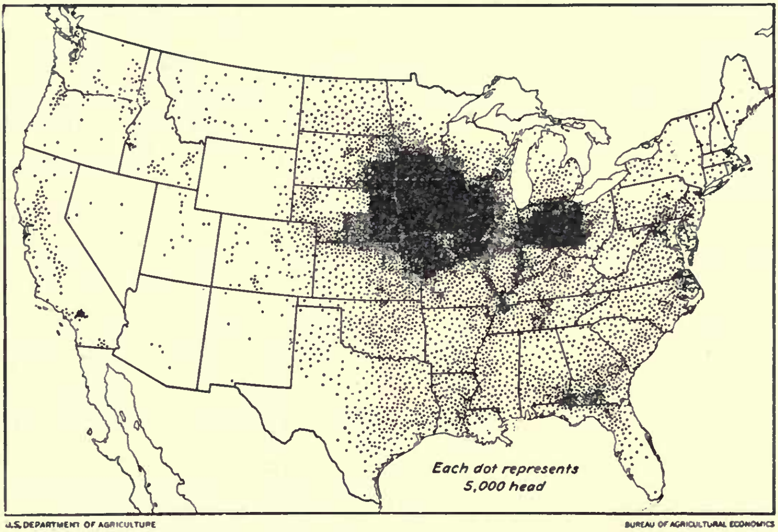

FIG. 16.—NUMBER OF SWINE ON FARMS IN THE UNITED STATES APRIL 1, 1930

A comparison of this figure with Fig. 1 indicates the tendency for local markets to be established in areas of heaviest hog production.

Material relevant to this aspect of the study[1] may be presented from four standpoints: (1) the experience of packers who have bought hogs on particular terminal markets for a long enough time to judge accurately of recent changes in quality of receipts; (2) judgment of order buyers having equally adequate experience;[2] (3) opinions of government market reporters; and (4) observations of the writer.

Opinions of Packers.—As to the opinions of packers regarding the effects of local markets on the quality of terminal market receipts, the following statements are submitted.

[1]While reference will be primarily to the Chicago market, the conditions involved apply, in greater or less degree, at all corn-belt markets, from Indianapolis to Missouri river points.

[2]For obvious reasons names of packer officials or order buyers can be given only where their statements are of public record.

A leader in the pork packing industry, a man who directs all hog-buying operations for a well-known firm, said that he believed that his company may get a somewhat better quality of hogs at their local buying points than they get, in many instances, on the Chicago market. In reporting the experience of Iowa and Minnesota packers Derrick stated that eleven out of thirteen packers said emphatically that they secured hogs of better quality by direct buying.[1]

The above statements do not say that quality of hogs at the terminal markets has deteriorated, but they indicate either that such is the case or that the markets have never received as good hogs as packers bought direct.[2] In either case, and since interior prices are based on terminal market prices, as has been generally the practice, it is pertinent to ask whether the owners of the choicer interior hogs get the premium that their indicated superiority apparently warrants.

Mr. George A. Casey, Vice-President and General Manager of the Wilmington Provision Company, Wilmington, Del., appearing on behalf of the Eastern Meat Packers Association (slaughtering some 6 million hogs annually) and for his own company, at the Interstate Commerce Commission hearings recently held at Chicago gave testimony[3] bearing directly on this question of quality of hog receipts at the terminal markets. He stated that: (1) the packers he represented preferred to buy their hogs at terminal markets because opportunity is there afforded for open competition; (2) at the terminals packers can select the desired type of hogs day in and day out; (3) the local markets are diverting the best hogs; (4) as a result, the quality of hogs offered for sale on the terminal markets has declined; and (5) while the packers pay top price for hogs at the terminals, they do not

[1]Derrick, B. B., work cited (page 483), pp. 562-563.

[2]One day in November, 1933, fourteen cars of hogs were received at South St. Paul for sale for the account of an important interior packer. It appeared that a strike had been called at his plant after these hogs were already en route from country points; so without unloading, the hogs were sent directly on to South St. Paul for sale. Speaking of these hogs the manager of a large St. Paul packing plant said their quality created a sensation in the yards; that they were better hogs than had been seen in that market for some time; that his head hog buyer telephoned him and insisted that he come down to the yards to see those hogs. (Personal information to the writer.)

[3]Before the Interstate Commerce Commission, Dockets 25123, 25449 and Sub. Nos. 1-9, at Chicago, Ill., Feb. 13-18, and Feb. 27-Mar. 8, 1933, Vol. 3, pp. C-1535—C-1658. The fact that Mr. Casey's direct presentation occupied only thirty pages of the record, whereas his testimony on cross examination covered ninety pages, with Mr. Blanchard, attorney for Armour and Company, and Mr. Rynder, attorney for Swift and Company, conducting a great part of the cross examination, indicates the importance that those companies apparently placed on his statements. For the reader's convenience only a summary of his presentation is included here; extracts from the transcript of the I. C. C. hearings are attached as *Appendix D* and give those portions verbatim.

get as good hogs as the best hogs moving thru local markets. Mr. Casey has had broad experience in the packing industry, stating in his testimony that he spent several years in the employ of Armour and Company and of the Morrell Packing Company, both at Ottumwa and at Philadelphia. Consequently his views are significant.[1]

Here, then, are three statements by packers—*first,* a leading Chicago packer's comment that they "may" get a better quality of hogs at their country points than is available on the terminal; *second,* the opinion of interior packers that they do get better hogs direct than on the terminals; *third,* the testimony of Mr. Casey, Mr. Codling, and Mr. Tobin, representing eastern independent packers, the houses whose purchases on the terminals constitute the main "shipper" or order buying business, that quality of terminal receipts is declining, and that the kind of hogs they particularly want are being intercepted before they get to the terminal markets—"stopped at the crossroads," as Mr. Casey put it.

It would seem worth while for hog producers to try to keep open and unrestricted all channels thru which an important group of packers may wish to buy their hogs.

Opinions of Terminal Market Order Buyers.—A nationally known buyer operating at Chicago for several years and still well acquainted with conditions on the Chicago hog market stated as early as 1932 that the proportion of good hogs in Chicago salable receipts was lower[2] than formerly "as a direct result of many local markets in the Chicago territory all selling their better hogs direct." It is his opinion that quality has continued to decline. A second responsible order buyer on another of the largest markets stated that "our order business has greatly decreased because we can't get enough of the kind of hogs our orders specify." These statements check with Mr. Casey's statement previously presented. It may be added that direct buying has attained a great volume in the territory of this second market.

Evidence From Government Reports.—The daily livestock market reports issued by the Bureau of Agricultural Economics of the U. S. Department of Agriculture, it must be recognized, are and in the nature of the service must be conservative. Anything in such reports

[1]Mr. W. C. Codling, Vice-President of the Albany Packing Company, Albany, N. Y., and Mr. F. R. Tobin, President of the Rochester Packing Company, Rochester, N. Y., followed Mr. Casey on the stand in the same hearings and stated their agreement with the testimony of Mr. Casey.

[2]The manager of an eastern packing plant showed the writer on a recent visit, a telegram which had just come in from their Chicago representative. It reported what was being shipped, then added: "Our kind scarce, quality poor." "And," said the packer, "that kind of wire now comes too frequently."

that might be construed as a reflection upon the quality of receipts at any one market would be resented both by the interested stockyards company and by sales agencies operating there. Accordingly indications from such sources will be found only in brief and careful statements—or by reading between the lines, where a reader is sufficiently well acquainted with the market to do that.

An official reporter at an important market said in September, 1933: "The establishment of many local markets in what is normally the territory of this market has definitely affected the quality of hogs consigned to this market; it has reduced the proportion of good hogs in our receipts. A few times in the last year we have had to carry nominal quotations for top hogs—there were just no top hogs in the run; a thing we don't like to do, and something which two years ago we would never have thought of doing."

Personal Observations and Contacts.—A veteran and conservative salesman on an eastern market, recognized by the trade as one of the competent men in his field, said to the writer: "We notice the change in quality more particularly on shipments from sections where local markets are operating aggressively. *From such areas we seldom get a carload of good hogs now.*"

At one of the larger terminal markets in Illinois a stockman brought in a truckload of big-type, coarse-boned, leggy, shanky hogs, the kind that eastern packers do not want at all. The salesman, knowing that the consignor lived only fifteen miles from a large local market and that he usually sold his hogs there, asked, "How does this kind do at ———? Why didn't you take them there instead of bringing them clear in here?" The shipper replied: "This kind just don't do at all up there. They cut them awful hard. I can do pretty well on my good hogs, but they sure hit me on these."

The difference in the attitude of stockmen toward a local market or a direct buyer and toward a terminal market is also a factor in the quality of hogs marketed thru these different channels. At one market a well-known hog salesman called attention to a few hogs in one pen—four or five off-grade hogs, a "bust," and two packing sows. Then he said: "I've been at this man's place and I know what kind of hogs he has. He brought in a full truckload of hogs today and this is part of the load. The rest were good hogs. One of our local packers buys truck hogs direct and claims to pay within 10 cents of our price here at the yard. This man took his good hogs there but brought his 'out' hogs up here for me to sell. And you would be surprised how many farmers do that same trick."

Here was a city packer operating a large plant who admittedly based the price for hogs bought at his plant directly upon prices established at the terminal market located but a few blocks away. The farmer was selling his best hogs on the basis of a price established at the market to which he took only his culls, assuming that others would consign to the terminal enough good hogs to maintain a satisfactory trading basis and to reflect to packers the full strength of the value of top quality hogs. If one multiplies the number of stockmen following that policy, and they are doing it in an increasing degree in the important hog states, one is forced to ask the effect on the general hog price-level.

Further evidence of the effect of Iowa local markets upon the character of Iowa hogs shipped to the Chicago market is given by Derrick[1] in an analysis of the hog-marketing operations of 38 representative livestock shipping associations in Iowa, July 1, 1926, to June 30, 1927. In comparing shipments to Chicago, to Waterloo, and to Mason City, this investigator found that 12.2 percent of the total went to the Chicago market as light butchers, 16.8 percent to Waterloo, and 15.4 percent to Mason City. For medium-weight butchers the corresponding percentages were 32.9, 38.4, and 35.4; and for heavy butchers 28.3, 23.8, and 22.4. Similarly, in checking shipments to seven interior markets, the investigator found 12.2 percent of the total going to the Chicago market to be light butchers, against 15.2 percent going to the seven local markets; for medium-weight butchers the percentages were 32.9 against 36.8; for heavy butchers, 28.3 against 23.9. These figures show Chicago receiving a lower percentage of the light and medium weights but a definitely higher proportion of the heavy hogs. Altho not conclusive in themselves, the above data, when taken in conjunction with other available evidence, appear significant.

Summary of the Situation With Respect to Quality.—To one well acquainted with present hog-marketing conditions in the corn belt the following statements seem amply supported by facts:

1. The territory from which the Chicago market formerly drew its main hog supplies is now dotted with local livestock markets, each so far as possible selling selected hogs direct to packers.

2. Most eastern packers prefer light and medium weight hogs, only a few plants buying heavies.

3. Chicago is the most satisfactory market in the United States for heavy hogs and roughs. It may surprise some to know that at times

[1]Work cited (page 441) pp. 40-42.

during the last two years "roughs"[1] have actually been shipped to the Chicago yards from the Pittsburgh and Buffalo markets, the Chicago price being enough higher to justify the back haul. Local markets send direct to packers all the hogs they can sell to better advantage in that way, sending to terminal markets only the hogs that cannot be sold satisfactorily direct. As a result their market consignments to Chicago are nearly always made up largely of heavy hogs or roughs and out hogs. Other terminal markets have long shipped their leavings and clean-ups to Chicago. The combined result is that the percentage of less desirable hogs received in Chicago tends to increase, and the percentage of good-to-choice hogs, particularly of the lighter weights, to decrease. On the other hand Chicago hogs are healthier than formerly, showing definitely lower retentions and condemnations due to tuberculosis.

Operators of concentration points, in their contacts with eastern packers, emphasize the point that local markets sell their good hogs direct, that only their "krap" is sent to Chicago, and that if an eastern packer wants good hogs he must go to country points for them.

Since changes in the quality and character of hog receipts usually come gradually, they are usually noted only by keen observers. Moreover, such changes do not readily lend themselves to quantitative measurement. Assuredly a change in the quality of receipts would presumably affect buying competition.

Effect of Local Markets on Buying Competition at Terminal Markets

One of the most controversial subjects in the entire livestock marketing field is the question whether the operation of local markets affects buying competition on the terminal markets, and if so, how. On this subject there are two distinct schools of thought. On the one hand are those who believe that the net effect of the local market system has been to lessen buying competition on the terminal markets. On the other are those who hold that the law of supply and demand operates uniformly and automatically over the whole field, and that consequently local market operation can have no effect one way or the other.

Local Markets Have Lessened Buying Competition at Terminal Markets.—The views of those who believe that local markets affect buying competition adversely are well represented by a recent state-

[1]In hog-market usage the term "roughs" may include packing sows, stags, and the heavier off-grade hogs.

ment by an Irish economist, D. A. E. Harkness, who, reporting the results of several years' study of farm marketing in Northern Ireland,[1] states that direct sales of farm produce have increased, with a corresponding reduction in the volume passing thru the regular markets. He concludes: (1) that such decentralized selling has lessened buying competition; (2) that it has tended toward lower prices; (3) that farmers do not possess adequate information in regard to market values to enable them to sell their produce on a equal footing with the buyers; and (4) that the public market remains as important as in the past in determining value by the free play of competition.

Market operators, both buyers and salesmen, admit that if packers have a supply of country-bought hogs in their pens in the morning, they can start the killing gangs on time even if they do not buy a hog on the early rounds of the market. With a big run of country hogs they can even stay out of the market all day.[2] Their buyers will be in the hog yards, but under such conditions they will usually bid low or not at all. Purposely bidding low or not at all, they are a definitely bearish influence on the market. They can afford to take their time in completing their purchases, whereas if they had no hogs on hand, they would have to buy earlier and more aggressively. These statements are based both upon personal observation in the markets and upon opinions of responsible hog buyers—men employed by companies buying hogs both at local and on terminal markets. At both East St. Louis and Chicago packers are receiving increasing supplies of country-bought hogs.

A leading order buyer was asked what effect a situation such as the above had on buying competition and on prices on his particular market. He replied: "Here, as on most markets, there are three principal groups of buyers: (1) order buyers, (2) local packers and city butchers, and (3) the Big Packers. We watch our competitors closely; if the Big Packers are bidding weak or lower, we ease up on our bids; if we don't have orders, the Big Packers know they can ease up. Here's an illustration. Two days ago orders were light and the packers bought the hogs at $3.80 when the price should have been $3.90 to

[1]Harkness, D. A. E., "The Marketing of Northern Ireland Agricultural Produce," pp. 31-33, Government of Northern Ireland, Belfast, 1932.

[2]Unusual examples of this fact are given in the hog market reports in the Chicago *Daily Drovers Journal,* issues of November 8-18, 1933, covering the period of a deadlock between Chicago packers and salesmen on the Chicago market, *the first time that all hog salesmen on that market completely coordinated their sales efforts.* However, during a large part of 1933 purchases of hogs on the Chicago market by the "Big Three" packers were very light, as may be seen by referring to the introductory paragraph in the third column of the issues of the above Journal for a considerable portion of 1933.

$4.00 on the basis of prices at competing markets. Yesterday more orders came in and the order buyers started out at $4.00. But when the orders were filled, the Big Packers took the rest of the hogs at $3.85 to $3.90, many of them of the same weights and just as good quality as order buyers took at $4.00."

At one market a leading operator made this statement: "The fact that the packers have a good string of country hogs under their belt when they start out in the morning allows them to bid weak or not at all—that encourages other buyers to bid lower. Moreover some of our packers have plants both here at the yards and across the river. Over the river they buy lots of truck hogs and rail hogs from country points, prices being based directly on this market. Whatever they can do to weaken our market enables them to buy their truck and country hogs that much cheaper at their cross-river plants."

In discussing local markets and country buying, a prominent packer said: "People ask why packers buy hogs in the country, saying that the hogs would come to the markets if packers wouldn't buy anywhere else. That may be true. But we have difficulty, especially at certain seasons, in getting enough good light hogs on the Chicago market. If we insisted on buying all we wanted here, we would raise the price at Chicago and that would in turn raise the price at every country point where we buy hogs."[1]

Armour, Swift, and Wilson are probably now in positions where they can, when they desire, obtain their entire supply of hogs independently of the terminal markets.[2] It may or may not be significant that in recent advertisements Swift and Company made no reference

[1]Stockmen may be surprised to learn that a packer whose plant is located at a recognized terminal market was shipping in local market hogs at a cost equal to or at times even 10 cents a hundredweight more than his locally bought hogs. He may have bought 2,000 or 3,000 hogs in the yards and only 200 or 300 country hogs at the 10 cents higher price. But if he had increased his purchase at the local market by even 200 or 300 head, that additional competition might readily have raised the price in the whole market by 5 cents or even 10 cents a hundredweight. Ten cents on 200 hogs might mean $45, but 5 cents on 2,000 hogs might mean $200 or more. Packer buyers watch that aspect of their work very closely. Mr. R. W. Grieser, manager of the hog department of the Chicago Producers Commission Association, made the statement during the Farm and Home Week program at the University of Illinois in January, 1932, that a change of 10 percent in a day's hog receipts—at almost any market —is sufficient to change the day's price; 10 percent more hogs lowering the market and 10 percent less hogs raising it. A comparable change in demand would have a similar effect.

[2]The Chicago *Daily Drovers Journal* usually reports (in the first paragraph of the hog market report) the number of hogs purchased that day by small packers, city butchers, shippers, and big packers ("Big Three"). On many days in August and September the three big packers combined purchased only 500, 600, 800, or 1,000 hogs.

to terminal livestock markets, the point emphasized being that "Swift & Company covers the gap between producer and retailer."[1] If, later, these companies deem it desirable to increase their country purchase of cattle or lambs, they will have trained their country yard operators to buy cattle and sheep as well as hogs, or they will assign to the local stations buyers who are so trained.

Furthermore order buyers on terminal markets say that many eastern packers who use mixed-weight hogs and buy at local markets now refuse to talk with them until they (the packers) know what they are getting at the various local markets. Much of the order business is done by telephone. A common arrangement has been that the eastern packer is "not in," in answer to the order buyer's long distance call, unless in the market for hogs. Now the report is, "he'll talk later." If, in the meantime, he gets enough hogs from country points he does not "talk."

Additional evidence regarding these developments appears in the following statement:

". . . During the past year, in soliciting order business I have been told by certain eastern and middle-western packers that they could purchase any supply of hogs necessary for their requirements at nonmarket points [other than terminal markets] at lower prices than we could give on the public markets at which we were operating. In addition to this, there are three packers not located on public markets, two of which were former customers of ours, who have now established their own buying stations at nonmarket points where these privileges [in-transit rates, concentration privileges, with change of ownership permitted] exist . . .

"To meet this situation, a number of order buyers from midwest markets have transferred a substantial portion of their order-buying activities for their eastern packers to nonmarket points at which more liberal transit privileges exist than at public markets. Specific examples of this are Bangs & Terry, operating on the South St. Paul market, who have transferred a substantial portion of their order-buying activities to Tama, Iowa, and Belle Plaine, Iowa; the E. B. Beck Company of South St. Paul, which has transferred a part of its order-buying activities to Dyersville, Iowa; Kennett-Murray & Brown of Sioux City, Iowa, which has transferred a part of its order-buying activities to Milbank, South Dakota; also Kennett-Murray-Colina of Omaha, who are now buying at Shenandoah, Iowa. These are typical of what is occurring in the marketing of livestock."[2]

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[1]See *Bureau Farmer,* May, 1933, p. 2 (published by the American Farm Bureau Federation, Chicago). Should so important a packer as Swift and Company throw its influence definitely and continuously toward the elimination of terminal markets, the effects might be far-reaching.

[2]Testimony by J. S. Montgomery, Manager, Farmers Livestock Marketing Association, before the Interstate Commerce Commission in Dockets 25123, 25449, Vol. 5, p. 1609, at Excelsior Springs, Mo., Dec. 2-3, 1933.

The development and operation of local markets thus appears to have contributed definitely to the reduction of buying competition on the terminal markets by making it possible for terminal market packers to stay out of the market entirely or to bid weak and thus lower the market tone; and by enabling many packers to transfer their orders to country points, thus removing their buying competition from the terminals.

Questionable Assumptions Regarding Buying Competition.—In contrast to the point of view just discussed, some competent students of livestock marketing problems hold that the supply of hogs available for sale on any given day is fixed; that the demand on any given day is reasonably definite, and that since this is so, regardless of where or how hogs are sold, each unit sold cancels a corresponding unit of demand and cannot affect the price.

The bases of their position are apparently the following assumptions:

1. That sellers at every selling point, local or otherwise, have sufficient information, sales skill, and bargaining power to secure the full market price.

2. That buyers will pay the full market price regardless of the seller's market information, his sales skill, and his bargaining power.

3. That all packers are ready to bid on and can use all weights and grades of hogs.

4. That all packers are of equal importance in establishing the market price.

5. That all packers have access to and opportunity to bid on all hogs available for sale regardless of where the hogs are located.

The next step is to examine these assumptions. To experienced operators the first position is untenable. Two actual situations in different states are cited as evidence: (1) A certain packer established a buying point in an area where he had not previously operated. The first day he jumped the local price 65 cents a hundredweight and did not get a hog because the regular local outlets raised their bids by the same amount and farmers were used to selling to them. The fact that collusion between two local operators had long kept the local price out of line with the markets apparently meant nothing to local farmers. (2) Another packer decided to see how the patrons of one of his concentration points would react to widening differentials. The approximate shipping cost to the competing terminal market was 60 cents. The concentration-point manager was instructed to widen the differential 5 cents a hundredweight each market day. The price paid was lowered until he was buying on a $1.25 margin and, so far as he could see, the volume of receipts had not been affected. This was at a time of year when the packer had no particular difficulty in getting what hogs he wanted. The manager said: "We didn't have the heart to carry it any farther."

Furthermore, thousands of hog raisers in west-central and central Illinois, who, as to location, are marginal shippers to both the East St. Louis and the Chicago markets, continued to ship to East St. Louis during 1932 even tho that market averaged 15 cents a hundredweight below Chicago[1] on 180-200-pound hogs except in January and in December.

The second assumption,—that buyers will pay full market price regardless of the seller's bargaining power and skill,—more unsound if possible than the first, is a very common one. Stockmen with feeding and marketing experience and with any considerable contact with terminal markets, recognize that there is seldom, regardless of conditions, a single price which the buyer will pay. Moreover, at least on markets where reasonably active competition obtains, there is nearly always a price range—sometimes wider, sometimes narrower—the packer hoping to buy in the lower limit of that range, willing to buy in the middle if the market is strong, but paying up in the higher range if he must.

The following statements are made by Armour and Company:

> ". . . each packer as a purchaser of livestock must acquire his raw materials at price levels no higher than his competitor. . . . *The packer tries to buy as cheaply as he can, not because he holds ill wishes against the producer, but because he must maintain his position against his competitors.*"
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> " . . . . It cannot be considered that the packer is a bearish factor in the market continuously except in one particular, viz.: he must naturally be bidding in the lower part of the trading range of prices, about a 25- to 50-cent range on any given day. He cannot buy at the first prices quoted him or livestock prices would soon be higher relatively than meat and product prices."[2]

In discussing this problem of livestock prices with groups of stockmen Mr. D. L. Swanson, Manager of the Chicago Producers Commission Association, has often diagramed the situation effectively. He shows how buyers start bidding lower than they expect to be able to buy (just as shown in the Armour statement above) and how salesmen ask a little more than they expect to get. In between the bids and

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[1]Forty-sixth Annual Report, Ill. Agr. Exp. Sta., 1933, pp. 193-194.
[2]*Monthly Letter to Animal Husbandmen,* Armour and Company, Chicago, May, 1928, p. 1.

offers is a range which Mr. Swanson terms the "twilight price zone," the price finally arrived at depending upon relative advantages and abilities of buyer and seller.

The following instances will illustrate the unsoundness of the first two assumptions. They record actual bids by experienced buyers on specific lots of livestock in well-known markets. These data are simply random samples:

A shipper who had been selling many hogs direct to a packer shipped two loads to the terminal market in the same city and came with them. The salesman sold his hogs at $4.00 straight. The shipper said: "You mean you got $4.00 for every hog in both loads? The way they've been buying my hogs, direct, they would have paid me on today's market $3.90 for the best hogs in both cars but they would have sorted off a heavy and a light end, both at lower prices."

Variations in cattle and lamb bids occurred as follows in six instances:

	Packer bids were—		
	A	*B*	*C*
Cattle	$4.35	$4.45	$5.10
Cattle	6.25	6.45	6.60 and 7.00
Lambs	6.75	6.90	7.10
Cattle	8.15	8.00	8.40
Lambs	6.50	6.65	6.80
Cattle	7.35	7.50	7.85

In another instance the first packer bid $3.75 for cattle with four out at $2.75; the second bid was $4.00 with three cattle out at $2.75, and the third bid was $4.15 with three cattle out at $3.00.

In another instance a double-deck car of 118 hogs, consisting of mixed weights—pigs to butchers—was consigned to a well-known commission firm. An order buyer bid $2.85 straight for the load; the salesman priced them at $3.25, with no sale. The hogs were then sorted into different lots and sold, some at $2.85, some at $3.25, and a few at $3.55. An average price of $3.187 was realized for the entire shipment.[1]

The point is that good buyers differ in their opinions of the value of specific lots of livestock. Competitive bidding affords opportunity to select the best outlet. If all the above-mentioned consignments had been delivered to a local market or shipped to a packer, where one man would have set the prices and would have done the sorting and grading, the question is what prices would have been marked?

[1]A duplicate of the original account sale for that shipment is in the writer's possession.

Occasionally, however, for reasons of his own, a packer may deliberately bid higher on some one market than is apparently necessary.[1]

Packers definitely and deliberately try to influence prices,[2]—and so do buyers of all commodities—as is shown by the following statement by Mr. Rynder, attorney for Swift and Company, in answer to a point raised by Mr. Pexton of the Denver Union Stock Yard Company: "If that's all they want to prove, I will concede that right now; that we will certainly buy lambs where we can buy them cheapest, considering the matters we have to meet in the way of distribution and everything like that."[3]

These incidents illustrate the principle that there is not one absolute price, definitely determined by laws of supply and demand, or by other influences operating independently of the buyers and sellers. On the contrary, there is nearly always a range within which the selling may move, final prices depending upon the relative skill and trading advantages of buyer and seller, each reflecting the significant conditions on his side of the transaction. "Bargaining power," says one economist, "is [an] important factor in . . . . the determination of price. It seems probable that bargaining ability has not been given sufficient importance in the books on economics."[4]

The third assumption—that all packers can use all weights and grades of hogs—will be recognized as untenable by all who have had market contacts. Some plants kill only heavy hogs, others nothing under 180 or over 200 pounds; some kill only choice grade, a few kill only mediums and culls. Even whole markets indicate decided preferences for certain kinds, weights, and grades of meat animals.

In order to discuss effectively the fourth assumption—that all packers are of equal importance in determining livestock prices—it

[1]The following incident illustrates an occurrence of this sort and also the question of a buyer's obedience to instructions. This incident, reported by a nationally known operator, occurred on a leading terminal market which on that morning was shaping for good hogs to sell at 60 cents, say $5.60 a cwt. A larger operator on that market, deciding that the interests of his company would be better served by a price of $5.75 than of $5.60, instructed his buyers to purchase a specified number of hogs in designated sections of the yard. One buyer, who either did not understand what was being done or whose trading instinct was too strong, soon reported to the head buyer that he had bought his loads at $5.65. It is reported that he was severely reproved.

[2]This statement is not presented as a criticism of packers but because it is a frank admission of the policy which market men know that all packers, like other business men, follow. A quick way for any packer to put himself out of business would be to allow his competitor to buy livestock cheaper than he can get it.

[3]Before the Interstate Commerce Commission, Dockets 25123, 25449, at Excelsior Springs, Mo., Dec. 2-3, 1932, Vol. 1, p. 786.

[4]Nystrom, Paul H., "Economic Principles of Consumption," The Ronald Press Company, New York, 1929, p. 48.

may be useful to classify the various hog-slaughtering packers into five groups[1] as follows:[2]

(1) "Big Four" packers (Armour, Cudahy, Swift, Wilson), including all their slaughter plants, in whatever states located. For this discussion Cudahy may well be omitted since that company has no hog slaughtering plants east of Omaha or St. Paul.

(2) Iowa and Minnesota interior packers (excluding plants of the Big Four); e.g., Morrell, Hormel, Rath, Decker, Kohrs.

(3) Independent midwestern packers (at terminal markets), such as Agar, Brennan, Miller and Hart, Roberts and Oake, Hygrade, Kingan, Hunter, Kahns, and others. This group should be subdivided into: (*a*) packers depending entirely on their local terminal market for their hogs, and (*b*) those buying both on the terminal and at country points. A number of the smaller packers in this group slaughter only the best hogs they can buy, of closely restricted weights.

(4) Independent eastern packers, among them the Albany Packing Company, Columbus Packing Company, Arbogast and Bastian, Burke, Felin, Gobel, Rochester, Vogt, Wilmington Provision Company, Rowe, and others.

(5) Local packers located at interior points and scattered more or less thruout the country. Illinois examples are the plants at Paris, Elgin, Mattoon, Springfield, Jacksonville, Belleville, DuQuoin, Cairo, and others.

The Big Packers, using all classes and weights of hogs, can use all the hogs that any market has to offer provided the price is right. They are in a position to buy whenever prices and conditions suit them, and may be an important factor in determining the degree of hog-buying competition at any point.

The second group, the Iowa and Minnesota interior packers, buy all or nearly all of their hogs at their own plants or thru local markets. They buy all kinds of hogs, where necessary, but usually prefer certain weights of good quality. One packer operating a large Iowa concentration point formerly bought all the hogs that came, shipped them to his plant, sorted off what suited his requirements, and reshipped the

[1]Opinions may differ regarding this classification. Some authorities would include Pacific Coast packers as an additional group. The important consideration is the part each group plays in determining hog prices and the relation of each to buying competition on the markets. It is desirable, if possible, that stockmen think of packers in relation to their function in the industry rather than by the names of the plants.

[2]A complete list of meat packing establishments operating under federal inspection in the United States is published annually by the Bureau of Animal Industry, U. S. Department of Agriculture.

rest (many carloads a month) to a terminal market for resale—an expensive procedure. Now another operator is also represented at that concentration point and takes such hogs as the packer does not want, and either disposes of them to packers who can use them or ships them to the open market. This group, buying principally at country points, competes primarily with the Big Packers and with subdivision *b* of the third group listed above.

Of packers in the third group, those in section *a* have depended entirely on the terminals for their hogs, while those in section *b* have purchased an increasing proportion of their supply from local markets.

The packers in the fourth group include a number of specialty operators, mostly seeking top hogs of narrow weight ranges and producing a quality product for the best trade. Only some twelve or fifteen important plants of this group still (October, 1933) depend very largely upon the terminal markets for their hog supply and they usually furnish the more aggressive buying on those markets.

The fifth group, local packers, are mostly small concerns, buying their hogs locally at rather definite differentials under the terminal market that serves their area, and going to the terminal for hogs only a few times a year when local supplies do not suffice. They do not enter into direct-buying competition with the other groups to an appreciable extent altho they may materially affect other groups in the sale of products and thus indirectly influence hog-buying competition.

It should be clear, then, that if the supply of salable hogs at the terminal markets is curtailed or the quality is reduced, the buying competition of the fourth group of packers and of subdivision (a) of the third group will be affected adversely. In other words, if the packers in the first and second groups and in subdivision (b) of the third group can secure better hogs than the packers in subdivision (a) of the third group and those in the fourth group, and can obtain them at the same prices or cheaper, they should be able to cut in seriously on the trade of the latter groups.

Since, as it has been previously shown, the receipts of salable hogs at the terminal markets have been curtailed and the quality of such receipts has tended to decline, then for these reasons and for others just stated it may be concluded that the operation of local markets is adversely affecting buying competition and hence the price-level on the terminal markets.

At this point another reference to the recent Interstate Commerce Commission hearings seems relevant. Mr. S. W. McClure, a nationally known sheepman of Bliss, Idaho, testified as follows:

". . . . Well, as producers the first thing that concerns us as a producer of lambs is getting our lambs on a market where we have the largest volume of independent buying. Now, I do not say that with any spirit of unfriendliness toward the packers, but it has been the experience of the producers that their lambs generally net them considerably more if there are a number of independent buyers operating on the market to which the lambs go."[1]

When asked what he considered "one of the major problems facing the livestock industry at the present time relative to its financial condition," Mr. McClure replied:

"The finding of an increase in the number of independent buyers for our commodity, ... is the most important thing that concerns us."[1]

Thus it seems that the interests of stockmen are best served by selling in markets where there is free and open competition. There is some doubt, however, about the extent to which really free and open competition obtains even in certain of the terminal markets. And the greater the number of market outlets thru which hogs are distributed to packers, the more difficulty there is in obtaining at each point effective buying competition[2] by a sufficient number of packers or even of groups of packers.

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[1]Before the Interstate Commerce Commission, Dockets 25123, 25449, at Denver, Colo., Jan. 23-Feb. 9, 1933, Vol. 4, pp. 3017, 3018.

[2]Four types of practices might with fairness be regarded as restricting buying competition. The *first* has to do with the buying of certain grades of veal calves. On some markets, especially at certain seasons of the year when there are not many vealers of certain weights and grades, shippers frequently pay more than local packers care to bid, or local packers may try to sort more severely. Under such circumstances influential local packers may indicate to a commission firm with a good calf business that unless they, the packers, can buy a certain portion of the firm's calves, they will find it inconvenient to bid freely on the firm's hogs. A *second* type of restriction may be of this sort: a packer will take all the calves of a certain seller, saying that he likes to know that he can depend upon getting a definite number. Such an agreement as this is more likely to occur at local markets than at terminal markets, the more so now that calves may be loaded with hogs at no higher freight rate. A *third* type is that where a buyer "engages" to buy a firm's livestock "at the market," no price being set until the market is established. In both the second and third types the salesman has taken a certain amount of buying demand off the market and has contributed nothing to upholding the price. In collecting a selling commission such a salesman is accepting money under false pretenses. A *fourth* type of restriction is that imposed when one buyer or a group of buyers "makes the market," competing buyers in the group not going above the price being bid by the first buyer. On some important markets it is the common understanding among commission men that one packer "makes the market" at one yard and another at the second yard.

The first three practices are possible only by collusion of salesmen. Strong salesmen and strong firms do not tolerate these practices. The fourth practice can be dealt with only by coordinated action by all firms on a market. Whether any of these practices are vicious depends, of course, on the extent to which they are carried on. Certainly none of them represents free bargaining on a market. *(Footnote is concluded on next page.)*

The fifth assumption—that all packers have access to, or opportunity to bid on, all hogs available for sale regardless of where the hogs are located—takes in a wide territory. Such buying would be neither effective nor economical, both because it would consume much time and because communication would be expensive.

One local market operator who has had years of terminal market training and is recognized as one of the able salesmen of the country said: "I can show my hogs to more buyers by telephone than I could possibly get actual buyers to look at them if I had the hogs on a terminal market."[1] However, it costs one to four dollars for each "showing" of a load of hogs by telephone. Consequently each local market operator attempts to develop certain regular outlets that will be able to use whatever he has to offer,[2] thus reducing the number of possible buyers to be called every day.

The following published item is relevant:

"Raymond E. Adams of Maple Hill, Kan. . . . spoke of the damage done the hog industry by direct buying, and said the practice was as great a menace to the cattleman . . . .

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[1]Sales by telephone are practical provided that local operators are familiar with the requirements of each packer, that they know how to put up hogs to suit the packer, that they have volume sufficient to permit the required degree of sorting, that both operators and packers "talk the same language," and that the buyer knows that he can depend upon the seller.

[2]A competent and successful local market operator said: "It sounds fine to tell farmers you are selling hogs from Maine to Georgia; but what you need is a couple of buyers who will use whatever you have to sell, every day."

At one of the smaller terminal markets the following conditions obtained. *First,* the commission firms on that market acted both as selling and buying agencies. Several firms had annual buying commissions and trading profits that compared favorably with their total selling commissions. *Second,* each of the larger commission firms had an arrangement with a leading packer whereby the firm sold its lambs to that packer, the firm sorting the lambs, marking the price, billing them out, and collecting an order-buying commission on each carload thus disposed of. There were instances where choice lambs were sold in this manner at a lower price than an independent buyer actually offered for the same lambs. *Third,* one order buyer controlled the entire hog market, local packers following the price he established. *Fourth,* one commission firm controlled the calf market, setting the price and practically saying what calves any other buyer might take, and at what prices. Fortunately a new commission firm, a cooperative, has come upon the market and is reported to have succeeded in opening up the hog market, as well as to have effected improvements in the lamb market, tho it has not yet succeeded in making that market clearly open and competitive. The calf market is said to continue as it was.

When sales agencies, under such conditions, represent themselves as livestock salesmen and claim to serve stockmen's best interests, they are taking money under false pretenses. To say that under these conditions demand and supply freely determine livestock prices is to grossly misstate the facts.

It is only fair to say that such seriously unfavorable conditions are found at only a few of the smaller terminal markets, mostly east of the Illinois-Indiana line. But they show what may happen on any market if the interests of livestock producers are not zealously guarded.

"He cited a recent instance on the Chicago market as an example of how the live stock producer suffers from direct buying.

" 'Not so long ago an order buyer at the Chicago market received a special order for 20 carloads of fat cattle to be filled in a single day. . . . There were plenty of cattle on the market to fill the order, but despite this fact the order buyer went to the country and purchased direct this number of cattle which he had lined up in advance.'

"When associates . . . . reproached him for his action, he said:

" 'Yes, I could have filled the order on the market, but it was not to my interest to do so. If I had bought 20 additional carloads of cattle there it might have boosted the Chicago price as much as 25c per hundred. Chicago prices are reflected at other markets and it would have had a strengthening effect at other places besides Chicago.

" 'But I knew I would want to buy more cattle later in the week and did not want to pay a higher price for them. So I went to the country and bought the cattle where the deal would not affect prices generally.' "[1]

During 1933 some nineteen packers, operating from Chicago to the Atlantic seaboard, volunteered the statement that they would prefer to buy their hogs on the terminal markets but that they were buying hogs at local markets because they could lay them down at their plants for less money; that because their competitors were buying local market hogs they had to do likewise in order to meet the competition in price of product. Their statement is supported by the following one included in a memorandum (1933) presented to officials of the Institute of American Meat Packers by a group of packers operating from Chicago and St. Louis to the east coast:

" . . . . the existing primary livestock markets should be maintained and no more direct buying at country stations permitted than exists at the present time and there should be the same control over direct buying stations as there is at present over the operations of commission men and order buyers at the public stock yards."[2]

That all packers do not agree with the above statement may be inferred from the following paragraphs contained in the code submitted by the Institute of American Meat Packers before the Agricultural Adjustment Administration:

"11. It is agreed that no provision in this Agreement or relaxation of the antitrust laws shall be such as to permit discrimination in favor of either direct buying or buying at terminal markets."

"6. The Institute and/or the Processors' Committee, with the approval of the Secretary or his nominees, may as often as is desirable, based on estimates of probable supplies furnished by the Department of Agriculture, allocate the supply of livestock for slaughter among the Processors. Such

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[1]Chicago *Daily Drovers Journal*, Sept. 27, 1933, p. 2. The writer has no direct knowledge of the incident here related.

[2]Information furnished to the writer.

allocation shall be based on the same percentage of the U. S. commercial slaughter as the kill of each Processor bears to the total U. S. commercial slaughter for a given previous period. Such previous period shall be selected by the Institute as will be just and equitable. Such allocations must be just and equitable; therefore, just and equitable tolerances shall be allowed. It is agreed that no allocation shall be established that will change the long-existing practice of furnishing a cash market for all live stock offered for sale by the producer. It is understood that the foregoing provisions of this paragraph confer no right on the Institute, the Processors' Committee or the Secretary to allocate territory to the respective Processors, such as allocating any territory geographically to one Processor or a group of Processors."[1]

Stockmen, believing inherently in the necessity of maintaining buying competition in the livestock marketing field, are amazed that such a proposal should be considered, let alone be put into print for public presentation as one of the regulations to govern livestock marketing and processing operations. Packers to whom this point of view was mentioned explained that the above section did not mean what it said, that it was merely proposed as a possible means of dealing with the vexing problem of inequalities in price of hogs to packers.

Probably few stockmen nowadays, however, expect as much active buying competition on the primary markets as is indicated in the following statement:

" 'What is happening to competition on the open public markets where prices of hogs are established for those who sell in the country and at small places was brought home to me with force while on the Chicago market recently,' remarked Elmer Sissel of Cedar county, Iowa.

" ' . . . . it was the first time I had been on the Chicago market for six years, so what I had in my mind's eye was a picture of conditions in the trade as they existed six years ago.

" 'At that time I marketed a carload of hogs and counted the buyers as they went through my hogs placing their various bids. Twenty-seven of them I counted, all active buyers. The first man that bid on the hogs got them, but not until after the other 26 had edged the price up 35c over what he had bid the first time he entered the pen.' "[2]

Undoubtedly the above incident was an unusual one. Probably few customers of the markets have ever seen as many as twenty-seven different buyers bid on one load of hogs.

The various packer groups, because of a conflict of interests,

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[1]"Marketing Agreement for the Meat Industry Including Slaughtering of Livestock and Processing and Wholesaling of All Products of Livestock," recommended by the Executive Committee of the Institute of American Meat Packers, August 15, 1933, and considered in a public hearing before the Secretary of Agriculture shortly thereafter.

[2]"What He Wants to See Restored Is Those 27 Bids On a Carload of Hogs." Chicago *Daily Drovers Journal,* Aug. 9, 1933, p. 2.

naturally seek to obtain stockmen's support in achieving their respective objectives, a pertinent example being the Big Packer activity in 1930 in developing a livestock producer demand for a modification of the Packers' Consent Decree. Stockmen, in order to serve their own interests, should be aware of these conflicts in packer interest; should be informed as to their nature; and should be in a position to decide intelligently what course they should take in such matters in order to advance their own interests.[1]

A recognized authority on marketing questions makes this significant statement:

". . . . A word should be said of the importance of produce exchanges [grain exchanges, livestock exchanges, hay exchanges, etc.] in the general scheme of marketing. On the whole, they represent probably the highest type of organization and the highest development of efficiency in marketing farm products that can be found. . . . . The concentration of trading in an organized market place results in greater intensity of competition, a more adequate balancing of expert opinions, and consequently a market price that more accurately reflects the actual conditions of demand and supply."[2]

The more one studies the economic conditions resulting from the uncoordinated operation of many local livestock markets, the more one is led to believe that the net result is largely to decentralize selling operations and to restrict the amount as well as the effectiveness of buying competition on the terminal markets. If buying competition is restricted, price will be affected.

Advantages and Disadvantages of Local Markets to Stockmen

The advantages of local livestock markets to stockmen have been widely advertised. A complete appraisal of both their advantages and disadvantages is not a simple undertaking. While the question is usually regarded by the stockman from his own individual point of view, there is an important collective aspect. Ultimately interests of large groups of stockmen are similar, and should be considered from both the immediate and long-time standpoint.

The principal advantages and disadvantages of local markets are listed below. The fact that there appear to be more disadvantages than advantages does not necessarily indicate that the net appraisal is against local markets. One item in the advantage column may outweigh two or three items in the disadvantage column—what weight

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[1]For earlier comments by the writer on this subject, see *Journal of Farm Economics,* Vol. 11, April, 1929, pp. 309-310.

[2]Clark and Weld, work cited (page 500), pp. 392-393.

they are to be given must be decided by each stockman for himself in the light of local conditions. The advantages listed all have an appeal to the individual stockman. Many of the disadvantages are significant primarily from the collective standpoint and hence have been given scant consideration by many stockmen.

Advantages

1. Convenience—this factor is obvious and needs no elaboration.
2. Cash (or check) on delivery with no waiting for market returns.
3. No commission or yardage charge at numerous local markets.
4. Price known before hogs are brought to market except when they are hauled for long distances.
5. A higher price possible for the more desirable grades of hogs.
6. Owner watches his hogs sorted and weighed, waits for his check, and feels that he has done the selling.
7. Shrinkage probably less[1]—if weights are accurate,—for local hauls are usually short.

Disadvantages

1. Less assurance of accurate weights, equitable sorts and grading.
2. Payment not guaranteed. (At all markets under federal supervision payment to shippers is assured by surety bonds in companies approved by the U. S. Treasury Dept.)
3. Hog price-level weakened by local markets under existing conditions. The amount may easily exceed the savings in marketing expense.
4. Difficulty of knowing what the real price is. Where the local markets resort to country buying, stockmen are again dealing with the old country buyer system.
5. Price of undesirable hogs often below terminal market price.
6. Seller in weak bargaining position. The buyer has more complete information than the seller.
7. Scales inadequately inspected, tested, and serviced. No authentic information is available to the public regarding condition of scales or results of tests.
8. Conditions of sale under buyer's control, there being noncompetitive sorting and grading.
9. Buying competition lessened by local markets, for some packers cannot use the hogs as put up at many local markets.
10. Danger of spread of disease—no restrictions on return of livestock from local markets to farms.
11. Full share of savings effected at many local markets not received by stockmen.
12. Cattle, calves, and sheep frequently not salable at local markets.[2]

[1]See Ashby, R. C., "Shrinkage of Hogs From Farm to Market by Truck and by Rail," Ill. Agr. Exp. Sta. Bul. 388, p. 567.

[2]Illinois affords a good example. Of 21 local yards 9 handled hogs only; 2 handled hogs and calves only; 1 handled hogs, calves, and cattle; 2 handled hogs, calves, and sheep; and 7 handled all kinds of livestock. But 2 of the 7 handled only hogs on a daily basis, the others on specified days. (Forty-sixth Annual Report, Ill. Agr. Exp. Sta., 1932-33, p. 102.)

Appraisal of the items listed above depends upon many factors, among them—(1) personal prejudices and antagonisms; (2) the extent of one's information regarding alternative market outlets, together with one's ability to appraise his animals as they would be sorted, graded, and priced at each; (3) personal relationships with market operators; (4) specific conditions restricting one's liberty in market selection; and (5) one's conviction as to whether farmers can or should attempt to develop their own marketing program.

Of much importance is the fact that the local market is near enough to the stockman for daily or weekly contacts and relationships. If he is an important producer, the local market manager maintains contact with him, takes a friendly interest in his business, and constantly reiterates the advantage of selling at the local market. Conversely the terminal market is distant and stockyards companies are thought of only as "corporations." Furthermore with the differentials that existed between farm and market corn prices during the winter of 1932-33, it has been an easy matter to arouse farm antagonism against market corn prices so that few other considerations were needed to convince stockmen of the advantages of local markets.

Moreover, the disadvantages listed are more or less indefinite to many stockmen. Only as stockmen understand the broader phases of livestock marketing operations do the disadvantages exist, at all, for them.

PART IV. EFFECTS OF LOCAL MARKET OPERATION ON HOG PRICES

The question of the effect of local market operation on hog prices is perhaps as complicated as any in the entire field of livestock marketing. Altho a conclusive answer may not as yet be possible, available evidence is sufficient to justify careful consideration of the problem.

Terminal Markets as Price-Basing Points

Concerning the relation between hog prices at local markets and at terminal markets—that is, whether local prices are based on terminal prices—two definite positions are commonly held: one, that hog prices at terminal markets determine quite definitely the prices paid for hogs at local markets; the other, that terminal markets do not determine local market prices but that both terminal and local markets simply reflect the existing balance between numbers of hogs offered for sale and the demand for pork products.

Hog prices of Illinois local livestock markets are admittedly based directly on prices at Chicago, Indianapolis, or East St. Louis, according to the location of the local market. Operators of local markets constantly point out to stockmen the differential between local and terminal prices and contrast that with a farmer's expense in selling on a terminal market. Managers of packer-operated concentration points say that they are instructed to adjust their prices to prices on the Chicago market. Furthermore they receive each morning a detailed analysis of Chicago prices, by weight-groups for the preceding day, for use in making up their price card. Moreover, these same Chicago cards have been seen on the desks of managers of privately owned local stockyards, suggesting at least a close working relation between the packers and those local markets.

The following statement by Armour and Company, is relevant:

"Prices are determined at the point of greatest demand. . . . As a consequence two points of greatest demand exist in the livestock industry at which prices are predominately influenced. The first is the great metropolitan area surrounding New York, in which some ten million individual consumers daily express the volume of meat their appetites demand in relation to their purses, thereby developing the price level of the day. The second point of demand is Chicago, both because of its preeminence as a packing center and because the avenues of livestock and meat transportation converge there, establishing Chicago as the base point for livestock prices."[1]

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[1]*Monthly Letter to Animal Husbandmen,* Armour and Company, Chicago, Jan. 1931, p. 1.

Only recently another leading Chicago packer was asked what part the Chicago market plays in determining hog prices. His immediate and direct reply was: "Chicago is still the basic market, the biggest livestock and meat market in the world. Chicago has the same relation to hog prices that Wall street has to the money market or that Minneapolis has to our flour market."

Further evidence is furnished by the following statement:

> "All except one of the packers [Iowa] base their price quotations on their nearest terminal market. . . . The prices quoted vary from terminal market price to 90 cents per hundredweight less than market price, depending on how urgently hogs are needed by the packers. Most packers state that they watch their nearest terminal market and their keenest packer and reload station competitors and then pay just enough so that shippers can not afford to ship around them."[1]

These attitudes are not peculiar to the Chicago market nor to the Chicago market area. Mr. L. M. Pexton, Assistant General Manager of the Denver Union Stock Yard Company, in answer to a question whether prices on the Denver market had any effect on country prices, said: "Prices prevailing on the Denver market fix country prices in a good part of the intermountain district."[2] His statement was apparently not challenged. In answer to a similar question Mr. A. H. Priest, Traffic Manager of the Livestock Traffic Association of Fort Worth, Tex., said: "Fort Worth is the price-fixing [price-basing] market for the territory south and west of it."[3]

On the other hand there is good reasoning to support the view that hog prices at terminal markets do not determine local market prices. A clear and comprehensive statement of this point of view has been made by Professor Paul L. Miller, of Iowa State College:

> "A third assumption commonly made by those who argue that direct buying by packers weakens competition and lowers prices is that prices at terminal markets govern or determine prices paid by interior packers and packer buying stations. . . . It is apparent that prices at these interior centers have fluctuated widely from Chicago prices [Fig. 17].
>
> "It is not necessary to explain the seasonal variations in the relations of these prices to Chicago prices in order to conclude that they fluctuate to a marked degree independently of Chicago prices. . . This would seem to indicate that prices at interior centers are not determined by prices at the public markets any more than prices at the latter are determined by prices at the former. They are all determined together, not in any very fixed

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[1]Derrick, B. B., work cited (page 483), pp. 564-565.

[2]Before the Interstate Commerce Commission, Dockets 25123, 25449, at Denver, Colo., Jan. 23-Feb. 9, 1933, Vol. 1, p. 1958.

[3]Before the Interstate Commerce Commission, Dockets 25123, 25449, at Excelsior Springs, Mo., Dec. 2-3, 1933, Vol. 2, p. 552.

relationship. The price at each point is determined not alone by prices at other competitive points but also by local trade conditions."[1]

Two questions asked by Mr. H. H. Hulbert, of the Federal Farm Board, in the course of the discussion of Professor Miller's paper, are worthy of mention here.[2] The first was: "Are the various schedules [prices] of the various packers in the concentration yards determined before or after the competitive [terminal] market opens? My opinion has been that the schedules at many points are determined

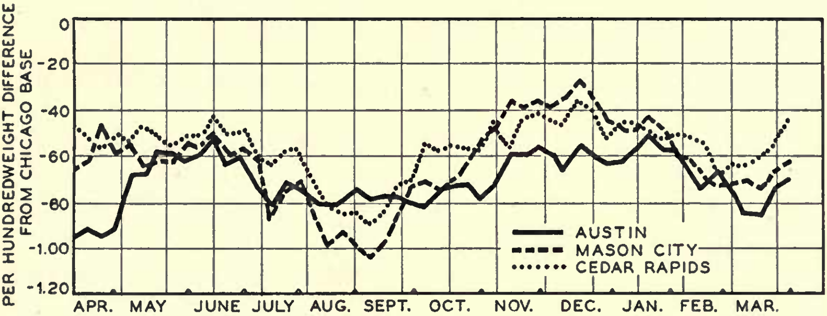

FIG. 17.—AVERAGE WEEKLY PRICES FOR MEDIUM BUTCHERS AT THREE INTERIOR PACKING CENTERS, PLOTTED AS DIFFERENCES FROM THE CHICAGO PRICE, APRIL 1, 1926, TO APRIL 1, 1931

Some students of marketing maintain that since the prices at these three markets do not follow a fixed differential from the Chicago price, the Chicago price is not the primary factor in determining local prices at these points. The author believes that it is entirely probable that these variations are largely seasonal and reflect local conditions. (Chart reproduced with permission of Paul L. Miller and publishers of "American Cooperation," 1931, Vol. 2, p. 109).

after the competitive [terminal] market opens. . . . If that is true, it would seem to me that one followed the other. . . . If Chicago opens at a quarter higher, what effect does that have on your concentration point in Iowa and on your direct producers [buyers]?" Professor Miller replied: "It would strengthen the price at most of the concentration points . . . it would have an effect throughout the various states, not because it started at Chicago, but because the same condition existed there as elsewhere." To Mr. Hulbert's second question: "If the situation were reversed and the Iowa concentration points and interior packers bid a quarter higher, would Chicago follow?" Professor Miller answered: "I think . . . as the interior prices harden up and the receipts at these points increase, that they tend to cut into Chicago's

[1]Work cited (page 459), pp. 101-103.
[2]Same, p. 113.

receipts, and I believe you can trace their influence upon the Chicago price." In other words, the effect of a price rise at Chicago would probably be reflected in the country at once, but a price rise originating at Iowa local markets, if it occurred, would be reflected at Chicago indirectly thru the adjustment of receipts and perhaps after several days.

The following statement by Nourse and Knapp is significant:

". . . . we examined the available evidence to see whether the Chicago market does in fact establish the basis upon which the price structure of other markets is built through the addition or subtraction of tolerably standardized differentials. On the basis of an extensive examination and careful statistical analysis of actual figures from the principal markets over a period of years it appears that prices on any of the other markets are constantly departing from Chicago prices by amounts grossly disproportionate to the computed normal differential. The statistics show also that prices on other markets such as Omaha and Kansas City or Kansas City and St. Louis move together over considerable periods of time much more closely than any of these markets move with Chicago.

"It appears on the whole that the grip which the theory of Chicago's leadership in the price-making process has upon the minds of marketing men runs back to a time now long past when Chicago was the one big market which conceivably did exert a dominating influence on livestock prices thruout the marketing area. . . ."[1]

"The data on yearly differentials . . . offer little to substantiate the idea that Chicago sets the price and that other markets follow. Neither do they indicate that the five principal markets move together, establishing a consistent system of prices which could be counted on by minor markets in their several vicinities."[2]

Professor Geoffrey Shepherd of Iowa State College said: "There is no ambiguity in referring to an area as wide as a state as 'a market'; for the majority of the hogs in Iowa are sold locally, outright, and the local markets in Iowa are reported daily by the Bureau of Agricultural Economics as one state-wide hog market."[3] But each stockman does not have access to all the selling points in Iowa; his market is limited to those sales points at which he can conveniently and economically deliver his hogs, and regarding which he has sufficient information to enable him to select his outlet effectively.[4] One

[1]Work cited (page 480), pp. 267-268.

[2]Same, p. 372.

[3]*Journal of Farm Economics,* Vol. 14, Oct., 1932, pp. 650-651.

[4]An editorial in the Chicago *Daily Drovers Journal* (July 9, 1932) read as follows: "A startling but not altogether surprising statement is made to us by an Iowa farmer who has been out recently buying hogs for feeding. He says that he has found many farmers who do not know within 40 cents what their hogs are worth on the market. And it is pitiful, he adds, to learn that in some cases this has cost $40 to $80 on hogs sold, at a time when money is

might assume that buying competition among forty or more local livestock markets would automatically guarantee full market value at all of them, or that stockmen are so well informed and sufficiently mobile as to transportation that they would patronize only the stations that do pay strong prices, but experience has not shown that to be true.[1]

One may overestimate the inherent probability of buying competition automatically distributing itself thruout a broad area and insuring equal prices therein, particularly thru many small and more or less localized markets. As an economic conception it is quite permissible to speak of the entire United States as a hog market, but actually a producer's market is limited to the buying stations which he can reach effectively.

In connection with Professor Shepherd's statement one should consider the following remark by an important Iowa local market operator: "We don't need Chicago or Indianapolis prices as a basis for our sales, but we do have to have the bids [competition] of outside packers [outside of Iowa]. Any time we have to depend entirely upon Iowa operators, prices weaken."

A compilation and tabulation of 1932 hog receipts at interior Iowa and Minnesota points, as reported by the Des Moines office[2] of the Bureau of Agricultural Economics, shows the following average distribution of weekly receipts on a daily basis:

	Percentage of week's receipt
Mondays	12.1
Tuesdays	13.7
Wednesdays	13.8
Thursdays	15.0
Fridays	15.1
Saturdays and Sundays	30.3

[1]An extremely well-informed operator who has closely observed direct buying operations by the Big Packers in Iowa comments that in the beginning of that movement the Big Packers located their country buying stations at points of minimum buying competition, apparently hoping that the effects of their buying would diffuse thruout the buying areas of the Iowa packers and raise prices at all points. It did nothing of the sort. It was found necessary, finally, to locate their buying points in territory where they were directly competitive with interior packers before the desired effect could be achieved.

[2]Courtesy of Mr. W. O. Fraser, local representative.

so much needed. The reason, he says, is that, due to lack of money, these farmers short on market information are without a newspaper, have had their telephone taken out, and have let their radio batteries run down so they have no radio service." Twenty-one representative farmers recently attended a meeting (December, 1933) in a fertile Illinois county. Asked how many had radios, twenty-one raised their hands. Asked how many had their radios in service, one person raised his hand.

One wonders why the Saturday movement is double that of any other day. The only answer given was that Iowa farmers, used to loading on Saturday for Chicago, continue the habit. It is of course possible that the purpose is to insure a supply of "direct" hogs for the Big Packers on Monday.

Price fluctuations between markets is a familiar problem to experienced feeders. Western stockmen have always faced the question whether to ship to their nearest terminal market or go on to the next one—in Nebraska, whether to ship to Omaha or go thru to Chicago; in the Southwest, whether to ship to the Missouri river or to bill thru; in the Northwest, whether to consign to South St. Paul or to run direct to Chicago. In one of the early studies of price differentials between markets, market quotations on "bulk of sales" of hogs at Chicago, East St. Louis, and Kansas City were graphically compared. The study concluded with the statement: "A glance at the charts reveals the high degree of interrelationship among prices at all markets, and that they all operate on practically the same price levels when freight differentials are taken into consideration. When deviations occur they are accounted for by the differences in quality of the hogs as indicated by the corresponding weight graphs."[1]

A thoro statistical analysis of hog-price differentials at Chicago, Kansas City, Omaha, East St. Louis, and South St. Paul was made by Mr. Knute Bjorka for the period 1921-1929. In summarizing he said: "The most common characteristic of hog price differentials between terminal markets is change from year to year, month to month, week to week, and day to day. In fact, it is rather unusual for a differential . . . to remain the same between two markets for two successive periods."[2] A later study of comparative hog prices at four markets[3]—Chicago, East St. Louis, Cincinnati, and Indianapolis—showed definite variations in price differentials; the variations including year-to-year changes, seasonal fluctuations, and day-to-day variability. While the study first referred to reported prices at the various markets as being on a uniform basis, later studies arrived at very different conclusions. During the years intervening between the first and the last studies referred to, fundamental shifts may have taken place in the livestock marketing field.

[1]Wentworth, E. N., and Ellinger, T. U., "Price Differentials Between Livestock Markets," *Monthly Letter to Animal Husbandmen,* Armour and Company, Chicago, Dec. 1, 1923. See also same publication, issue of January 1, 1931.
[2]Nourse and Knapp, work cited (page 480), p. 369.
[3]Norton and Ashby, work cited on page 472.

Nourse and Knapp questioned the importance of Chicago as a price-basing point because prices at other terminal markets varied more widely from Chicago prices than was believed normal, and because prices at other markets moved together more closely than any of those markets moved with Chicago. It does not appear that any analysis, other than a statistical study of comparative prices, was undertaken.

Even tho, in short-time changes, there is independence between Chicago prices and prices at other markets, yet this does not disprove that Chicago prices are the basis for hog prices at lesser markets in the Chicago sphere of influence. The analysis of variations in margins between Illinois local markets and the terminal markets clearly proves a high degree of price dependence on the terminals. Margins fluctuate from day to day, to be sure, and sometimes have narrowed over longer periods of time (Part II), but the terminal market influence is still dominant.

The two above points of view concerning central-market dominance and local-market independence may be reconciled by the following tentative conclusions: (1) within a given sphere of influence a central market tends to dominate price movements in local markets; (2) temporary independence may develop between different market centers altho all tend to be influenced, when long enough time is considered, by the basic factors determining hog price-levels. In connection with this study the first conclusion is the significant one.

As an illustration of a particular situation operating to exert special influence at Chicago is the competitive effect, on the Chicago market, of the daily buying by a large number of independent packers, local killers, and city butchers, who have depended practically entirely on the Chicago yards for their supply of hogs (at least until late in 1933) in the face of an apparent decline in the proportion of good to choice hogs available for sale on the Chicago market. Some of them, early in 1933, had discussed the advisability of inaugurating direct buying of truck hogs at their plants, but up to September, 1933, there was no information that they had done so.[1]

The executives of three leading independent Chicago packing com-

[1]As one Chicago packer put it: "We have no facilities here at the plant for buying truck hogs; so we would have to establish a buying point somewhere outside of Chicago and truck the hogs in here. Moreover, we kill only selected hogs—both in weight and quality. In buying truck hogs we would probably have to take them as they come—there would remain the problem of reselling or otherwise disposing of the off-grade and off-weight hogs that we would not care to process."

panies were asked in September, 1933, why Chicago hog prices had lately been high in relation to prices at other markets. The consensus of the replies was: "We have to depend on this market for our hog supply; we kill only the best quality of hogs we can get; recently there are not enough good hogs on sale here to supply the demand; so the price on those hogs goes up. Obviously we can't pay such prices indefinitely." Asked why they, too, did not buy direct, they stated that since the Chicago Junction Railway would not deliver hogs to their plants (all three plants are in the stockyards district), their direct hogs had to be unloaded in the yard and yardage had to be paid on them. Thus up to that time direct buying had not appeared to be the solution of their problem.

Detailed data are not available, but information obtained from what is believed to be unquestionably reliable sources is that half, or more than half, of the hogs offered for sale on the Chicago market are now purchased by these local Chicago plants, of which there are some twenty to thirty. This development of a vigorous local packing industry seemingly augurs well for the future of the Chicago hog market provided freight rates on fresh meats into Chicago[1] are brought into line with comparable live-hog rates. It also indicates the rapidly increasing importance of Chicago as a great metropolitan meat-consuming area, it probably being only a matter of years until the Chicago area will be fully as important as the New York area in that respect.

Buying competition for Chicago hogs is further strengthened by the fact that at least four independent eastern packers have their own full-time salaried buyers on the Chicago market. The more cars these buyers purchase, the less the buying cost per car, while on hogs bought by these houses at Indianapolis or St. Louis, order-buying commissions would be incurred. Moreover, they prefer to have their own buyers do the buying. But if Chicago hogs get too high in relation to other markets; if Iowa packers maintain their present favorable freight rates; or if too few good hogs become available at Chicago, it is but a question of time until these eastern buyers will have to curtail purchases at that market,[2] and local packers may be forced to look elsewhere for their supplies.

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[1]At present, interior Iowa packers are able to deliver fresh meats in Chicago at a freight rate approximately one-fourth lower than the freight rates on live hogs. Existing freight-rate relationships appear discriminatory toward Chicago and eastern packers, and if allowed to continue may force important modifications in the entire situation (see pages 514-517).

[2]This paragraph is based directly on conversation with eastern packers in August and September, 1933.

A further factor contributing to the importance of Chicago as a price-basing center is the fact that packers' decisions as to volumes of pork to be put into storage or taken out of storage are made primarily at Chicago. Storage operations of the Big Packers have had an important function in hog and pork marketings. By buying for storage when hog receipts were heaviest, they supported the market and prevented hog prices going as low as they would otherwise have gone. By marketing storage stocks when hog receipts were light, they increased the supply available on the market and thus kept prices from going so high as possibly to restrict consumption. During the last two seasons packers were reported to have stored less product than usual and the effect on the hog market was apparent. Hog raisers must not overlook the importance of Big Packer storage operations in relation to hog prices.

Another factor that may contribute to the importance of the Chicago market, relatively at least, is the improvement there in regard to hogs condemned for tuberculosis. Professor H. R. Smith, Livestock Commissioner of the National Livestock Exchange, recently issued data showing condemnation of hog carcasses at the Chicago market to be only one-tenth of one percent during the fiscal year ended June 30, 1933, as against 27 hundredths percent for the corresponding period in 1926 and 34 hundredths percent in 1915.[1]

The Chicago situation was summed up by a well-known order buyer who said early in 1933: "Chicago is too high. Packers are going to have to find some way to get Chicago prices in line with other markets." Stockmen, on the other hand, might say with equal basis on fact that the other markets are too low and that they must be brought into line with Chicago.

"Supply and Demand" as Price Determinants

The preceding section has dealt with the question of the relations existing between hog prices at different markets during short periods of time. In these short periods all sorts of temporary and local influences operate. Over longer periods of time, however, all markets are subject to common influences, even tho these influences

[1]Chicago *Daily Drovers Journal,* July 19, 1933, p. 1. Information regarding changes in the number of carcass retentions and condemnations for the various terminal markets may be obtained from the Bureau of Animal Industry or from the National Livestock Exchange, U. S. Yards, Chicago. As a result of the tuberculosis eradication campaign the number of retentions and condemnations has declined at numerous markets, but the improvement has been relatively greater at Chicago.

are usually registered first at the large central markets. An example of the broad effect of such influences is furnished by the action of hog markets over the country in the great price decline of 1929-1933; when hog prices started to drop, no market held up.

As regards their relation to buying competition and price determination (partially discussed under *Questionable Assumptions,* etc., pages 537-547), these common influences are frequently referred to, in summary, as "the laws of supply and demand."

First as to area—the terms *supply* and *demand* may be understood, according to their traditional usage by packers, to apply to the nation as a whole or to a single market or to a market area. As to time—they may refer to a day, a month or a year. As to limiting effects on price—they may be regarded as absolutely determining prices (in which case it would seem useless to maintain either livestock buying or livestock selling agencies) or as establishing certain rather indefinite limits within which the actual price is finally arrived at according to the relative ability or advantages of buyers and sellers. Packers in their use of these terms in past years have seemed to convey the impression that livestock prices were determined by factors largely beyond their control, that they were simply the media thru which resultant prices were registered without their having had any active part in their actual determination.[1] So mere reference to *supply* and *demand* as price determinants means little until reasonable specifications are made as to the commodity concerned, the marketing area involved, and the period of time covered.

Among the facts to be considered in an analysis of supply and demand relationships in the marketing of livestock are these: (1) perishable products are involved in both livestock and meat marketing; (2) the nation's supply of meat animals does not vary greatly from day to day or week to week; (3) total consumer demand does not normally fluctuate violently, altho sudden and severe weather changes, as well as religious holidays, may cause marked temporary shifts; and (4) retail meat price adjustments tend to come slowly, especially on declining price trends.

It is true that receipts at individual markets vary from day to day, and that total receipts for a group of markets may vary from week to week, but with such large percentages of all meat animals as are

[1]Note this very different view expressed by one of the outstanding figures of the meat packing industry: "Of all the intermediate agencies between producer and consumer, the packer alone is interested in a fair price level." White, F. Edson, "A Packer's View of Modern Marketing Questions," in "American Cooperation," 1926, Vol. 1, p. 311.

now routed direct to packers (Table 18), receipts at terminal markets are no longer a reliable indication of available supply. Federally inspected slaughter is now the dependable index of the volume of meat being made available.

It must be remembered that purchases and sales are made by buyers and sellers on terms influenced by their various *judgments* of current conditions. Inasmuch as buyers emphasize the conditions that are favorable to themselves, the purpose of sellers employing trained salesmen is to have someone competent to interpret conditions from the seller's standpoint so that the seller may have equal representation in arriving at a price agreement. Whichever side is more effectively represented will secure an advantage so far as the immediate situation is concerned. Some students of economics and marketing object to the so-called "horse trading" of the public markets, holding there should be a more simple, direct, and equitable way of arriving at the price. But wherever livestock is sold, there must be discussion of price (bargaining, if one prefers that term) if the seller is to have an opportunity to influence the decision.

Because of the perishable nature of livestock, mistakes in judgment by market operators, and constantly changing market conditions, prices shift up and down,[1] the resultant figure being the average or so-called "market" price. Recognized economic writers have recently offered the following pertinent comments concerning the factors that influence market price:

" . . . actual market prices are influenced to a large degree, sometimes almost entirely, by factors which are immediately operative."[2] "We may conclude that the common use of such a term as the law of supply and demand is not altogether meaningless, but it is misleading, in so far as it has a meaning, and equivocal in any case. . . ."[3]

"It [the law of supply and demand] could better be described as the law of final bargaining where the bargaining is carried on between experts on terms the broad features of which have been practically determined . . . . elsewhere"[4] "Experience shows that commodity prices do not result

[1]An excellent description by H. B. Latham, veteran cattle market reporter for the Bureau of Agricultural Economics at Chicago, is this: ". . . not only are no two markets alike, but . . . livestock prices ebb and flow even when following a definite trend. Markets zigzag themselves along, bulging and dipping as they react to more or less temporary influences; following over a long pull an upward or downward course in a shambling manner; developing small cycles within larger ones; uncovering inter-class out-of-lineness which is corrected when conditions permit; following . . . a definite trend in an indefinite manner." "American Cooperation," 1927, Vol. 1, p. 749.

[2]Clark, Fred E., and Weld, L. D. H., work cited (page 500), p. 487.

[3]Dibblee, George, "The Laws of Supply and Demand," Binney-Constable and Co., Ltd., 1912, p. 10.

[4]Same, pp. 9-10.

from the spontaneous action and reaction of supply and demand, but they are also influenced to a very great extent by speculation and psychological movements."[1]

". . . . When used in conversation and more glibly in the columns of the press, it [supply and demand] seems to be accepted in any discussion as necessarily terminating the argument." ". . . . most people really believe that this law operates irresistibly everywhere on a world scale, without any limitations as to the area of the market or to the restriction of supplies . . . . They have cloudy visions of world quantities on sale on one side opposed to world buyers on the other, with the sole requirement of running a price up and down on a little scale in order to bring the opposing forces *en rapport* at a given point when the gigantic bargain is made.

"Nothing could in practice be more untrue. It is untrue because . . . . the limitations to it imposed by business are more important than the law itself . . . ."[2]

Thus Dibblee definitely advances the theory of a price range within which the actual price is determined between buyers and sellers, also indicating that each market, while more or less governed by general conditions, fluctuates according to particular influences there effective.

A recent statement mentions supply and demand as represented by the weight of market opinion expressed in offers and bids and adds that "obviously the human element in the situation is the controlling factor."[3]

The Bureau of Agricultural Economics has shown graphically the relation of hog supplies to prices and values (Fig. 18). The chart indicates a price of approximately 8 cents a pound when 11½ to 12 billion pounds of live hogs were slaughtered during a year; of as high a price as 12 cents when less than 10 billion pounds were slaughtered. It supports the theory of supply definitely affecting price when the latter is taken as the average for the crop year.

A somewhat different point of view is presented by L. H. Bean[4] in an analysis of consumer income in relation to retail expenditures for selected foods. In four charts a close correlation between consumer income and retail expenditure for pork, beef, lamb, and mutton is shown (Fig. 19).

Stockmen are concerned with day-to-day and week-to-week price

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[1]Statement by Dr. Guido Jung, Italian Finance Minister, at the World Monetary and Economic Conference, London, as reported in the Chicago *Daily News*, July 27, 1933, p. 1.

[2]Dibblee, George. Work cited, pp. 2-3.

[3]The National City Bank, Monthly Letter, New York, March, 1933, p. 41.

[4]Bean, L. H., "Money Income of Farmers and Industrial Workers and Selected Retail Expenditures," *The Agricultural Situation*, Feb. 1933, pp. 9-12. Bur. of Agr. Econ., U. S. Department of Agriculture.

fluctuations, which are frequently severe, because the average feeder sells but a few times a year. Hence to hit a bad market greatly affects his income. Citation of average prices or the law of supply and demand does not ease his situation. Packers are also affected by day-to-day fluctuations but, buying every market day, they are able to offset

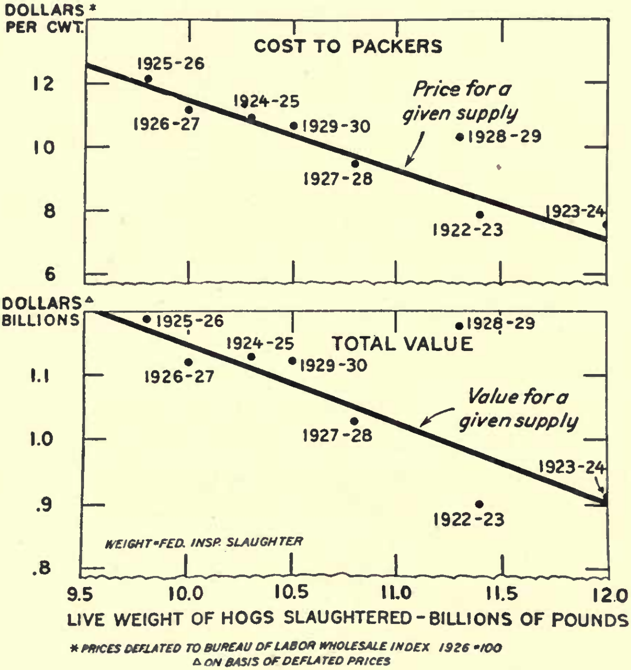

FIG. 18.—RELATION OF HOG SUPPLIES TO PRICES AND VALUES BASED ON OCTOBER-SEPTEMBER CROP YEARS

The well-known tendency for short hog crops both to sell at higher prices per hundredweight and frequently to bring more total dollars is illustrated by the above chart published by the Bureau of Agricultural Economics, U. S. Department of Agriculture.

the effects of these fluctuations. They are on the whole more concerned with average prices by weeks or months. For the consumer, daily fluctuations in livestock prices, except as they indicate a changing price trend, mean nothing since retail meat prices do not vary with day-to-day changes in livestock prices.

Clearly, then, supply and demand tend to establish price limits. But within those limits the actual market price of a given time is established thru trading operations, whether one dignifies such operations as market strategy or derides them as horse trading. In livestock marketing, insufficient attention has been given by livestock producers to the market strategy phase of price determination.

While supply and demand may be regarded as responsible for price limits for the relatively longer-time periods, there are other important factors which may be determined by the relative positions of buyers

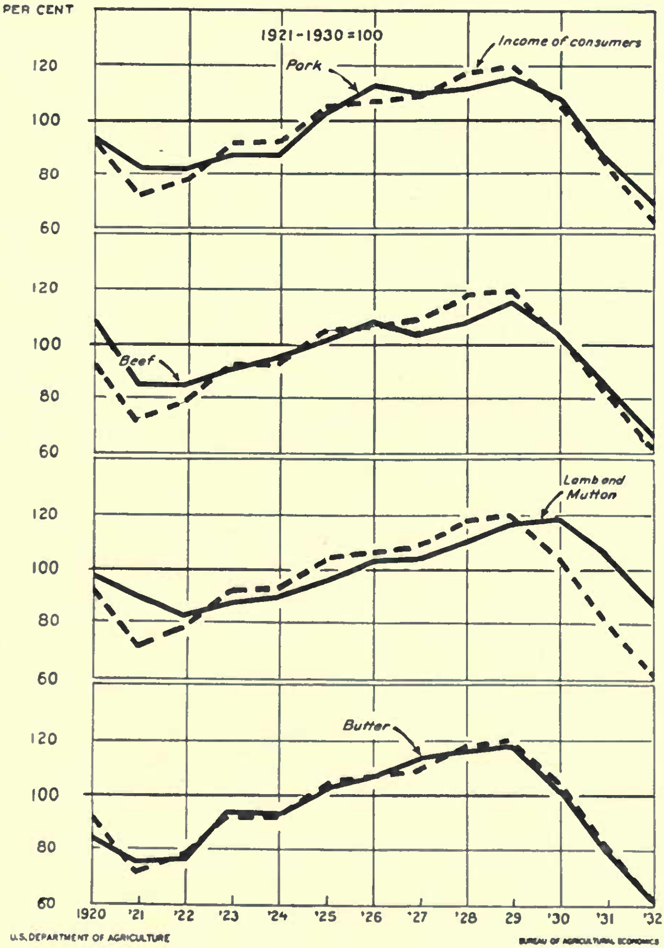

FIG. 19.—INCOME OF NONAGRICULTURAL CONSUMERS COMPARED WITH RETAIL EXPENDITURES FOR SELECTED FOODS, UNITED STATES, 1920-1932

The close correlation between the income and expenditure curves is notable. It is apparent that consumer income determines the maximum amount that will be spent for meats, altho lamb appears to have been an exception in 1930-32.

and sellers. These factors include day-to-day bargaining, peculiarities pertaining to particular markets, short-run inequalities in prices as between markets, differences in buyers' requirements and, most important of all perhaps, the share that each group takes from the total which consumers pay for meats.

If stockmen are to receive a larger share of the consumer's meat dollars, they will have to maintain the best possible livestock sales agencies and marketing system. Only by so doing can they in whole or in part offset disadvantageous short-run influences, avoid low spots in particular markets at particular times, exert bargaining power, or be able to effect necessary changes in marketing and distribution.

Local Markets Depressing Prices at Terminal Markets: A Price-Cutting Cycle

To the extent that Chicago or any other market is the price-basing point for the local markets in its area (and such relationship appears to be clearly demonstrated by analyses made in this study), and to the extent that the operation of local markets affects the volume and quality of receipts and buying competition at the terminals,—to those extents will local market operation also inevitably affect general hog prices. This section discusses specifically how such effects are worked out.

Since 1929 there has developed a conjuncture of events not previously experienced in the hog and pork industry of this country:

1. The decline in general price-levels, not only in the United States, but in all gold using countries, bringing sharply lower prices to all commodities competitively produced. In March, 1933, the United States wholesale prices were 60 percent of the 1926 index. Prices of farm products, as usually happens in such periods, declined more sharply than did the general average.

2. Greatly restricted consumer buying power.

3. Exports of pork products reduced almost to zero, with lard exports also reduced, but to a smaller extent.

4. A price-cutting cycle on hogs, resulting from the fact that the local markets sell hogs to the packers cheaper than do the terminals; the packers buying on the terminals try in turn to purchase hogs cheaper than those bought at the local markets; then with the decline of terminal prices, the prices at the local markets weaken, and so on.

5. Buying power of centralized chain stores reaching a volume that has enabled the chains to take up the slack immediately whenever a packer was able to buy his hogs cheaper.

The Bureau of Agricultural Economics has said: "The principal factor responsible for the fall in hog prices . . . . during the last three years has been the great reduction in consumer incomes at home and abroad, associated with the rapid decline in the general price level and the sharp curtailment in business activity."[1]

The fourth consideration, inequality in the price of hogs to packers, is fundamental to this entire study. The problem of price cutting has recently been accentuated in the meat-packing industry: first, because of the inequalities in prices of hogs to packers, owing to irregular freight-rate relationships or from local markets underselling terminals; and second, because of the existence of a surplus of product, in relation to low consumer purchasing power, and the resulting economic pressure upon every packer to handle as large a volume of product as possible. Market operators have often observed that if packers had given as much attention to holding up prices of product as they have given to trying to buy hogs cheaper, the hog market would have been in much better shape. That criticism may not be deserved, but it is a pertinent comment on packers' competition for lower-priced hogs. Certainly the meat-packing industry has recognized the evils of price cutting on meats, for the Institute of American Meat Packers has given the problem serious attention. Progressive packers hope that with the adoption of a code, approved by the Agricultural Adjustment Administration, definite improvement in stabilizing prices and in reducing distribution costs may be accomplished.

Among the conditions contributing to inequalities in the price of hogs to different packers, one of the most serious is the preferential freight-rate on fresh meats possessed by Iowa and Minnesota packers (see pages 514 and following), which enables them to undersell packers buying at the terminal markets, and as a result the latter group of packers attempt to buy their hogs cheaper in an effort to meet this competition.

A second condition contributing to inequalities in the price of hogs to packers is the competition between local and market packers.[2] Assume a plant at Elgin or at DuQuoin buying its hogs 30 cents under Chicago or 40 cents under East St. Louis. Labor is perhaps paid somewhat less at the local plants and taxes and overhead should be definitely lower. Suppose the local plant increases operations until it

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[1]Senate Document 184, 72d Congress, 2d Session, 1933, p. 2.

[2]In talking with a Chicago packer, the writer mentioned a local packer operating in a small Illinois city, and remarked: "Probably you don't know he's there, so far as his competition is concerned." Instantly the packer replied: "Don't know he's there? Say, that guy's had me sitting up nights trying to figure out how I could meet his competition."

cannot sell all of its product locally. It then begins trucking into the city and, its hogs being cheaper, it is able to undersell the city plants. If competition from local packers becomes too strong, the market packers attempt to buy their hogs cheaper to meet this competition. But the price of hogs at the local plant is based directly on the price at the market and goes down just as the market price declines. Again the competitive situation between packers is not improved, but hog prices are lower at both places. One is less disposed to criticise local packers for buying their hogs cheaper than to question the judgment of stockmen who sell hogs to a local packer at less than the market price, knowing that the result will be the underselling of the terminal packer on meats, with a strong probability of the latter lowering his bids on hogs in order to meet the competition and thus immediately lowering the price of hogs at the local plant.[1] One must regret conditions that cause a great industry to undercut its own business.

It is peculiar that farmers selling hogs to a local packer or local market willingly accept a definite differential below the terminal market, while if a neighbor feeder wants to buy their corn, they frequently demand the elevator price even tho the haul to the feeder's farm is only one-third as far as to the elevator. In the one case they concede the saving to a packer or dealer, in the other they demand all of it for themselves.

A third type of contributory condition is that of eastern packers buying mixed-weight hogs from local livestock markets and selling the product in competition with packers who kill only closely sorted hogs and who consequently have to get their supply mostly from the term-

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[1]It may be scant consolation to know that farmers are not the only ones guilty of so unbusiness-like a practice. Note the following editorial from *Forbes Magazine* (May 1, 1933): "Would You Aid Others to Beat Your Prices?"—"Can you imagine a business concern deliberately making it possible for another concern to undersell it? Sounds ludicrous, doesn't it? Yet that is exactly what is happening in the tire industry. Certain large manufacturers, altho dependent upon dealers for the distribution of their output, choose to furnish tires to mail-order houses although knowing well that these houses will name prices lower than those of their own dealers. Motor manufacturers learned some years ago that dealers constitute the neck of their bottle, that their own life depended upon the ability of dealers to sell cars in sufficient quantity and at a sufficient profit to enable them to stay in business. Some leading tire manufacturers apparently regard mail-order concerns as of more importance to them than are tire dealers. It is an extraordinary situation. Why mail-order houses or any other concerns should be regarded as entitled to undersell everybody else, including a manufacturer's own dealers, passes the comprehension of ordinary mortals.

"Is it astonishing that the tire industry has been flopping and floundering miserably, unable to pay dividends, unable even, in some instances, to meet bond obligations? It is just such nonsensical, unbusinesslike, suicidal conduct which emboldens Washington to propose that it be given dictatorial power over industry."

inal markets. Packers buying at the local markets usually get their hogs cheaper than if they bought them at the terminals. If the competition becomes too keen, the packers buying at the terminals then attempt to buy their hogs cheaper and therefore bid lower at the markets. If they thus lower the market price, the local markets basing on those terminals drop their prices. The situation between the packers has been aggravated; hogs are lower both at the terminals and at the locals.[1]

TABLE 20.—HOG FREIGHT RATES[1] FROM INDIANAPOLIS UNION STOCK YARDS AND LOCAL INDIANA POINTS TO INDICATED EASTERN DESTINATIONS
(Cents per hundredweight in double-deck cars)

Rates from—	To Columbus, Ohio	To Cleveland, Ohio	To Cin'ti, Ohio	To Wheeling, W. Va.	To Buffalo, N. Y.	To Philadelphia, Pa.	To New York, N. Y.
Indianapolis	23	29	20	31	38	47½	49½
Anderson	22	27	20	29	36	47	49
Fort Wayne	22	24	22	29	33	45½	47½
Frankfort	24	29	22	31	38	49	51
Kokomo	24	27	22	31	37	48	50
Lagro	23	26	23	30	35	49	51
Logansport	24	27	23	31	36	49½	51½
Muncie	21	26	20	28	35	45½	47½
Rushville	22	27	18	29	36	47½	49½
Winchester	20	25	18	28	34	44½	43½

[1]Rates listed in this table were furnished by district or division freight agents having jurisdiction of or located at the points named.

The relationship between prices at local and terminal markets is illustrated in Table 20, by a comparison of data on hog freight rates from several Indiana local markets to selected eastern destinations

[1]The following incident illustrates the situation just described. One day in the spring of 1933 an order buyer at a leading terminal market, when asked regarding conditions, replied, "Tough! I just called A— and priced him 240-pound hogs at 4 cents; the freight rate would be 23 cents and my commission about 5 cents, a laid down cost of $4.28 at his plant. He told me he is buying the same kind of hogs out of .... [a local market] at $3.80 with only an 18-cent freight rate. If the local yard charges the same buying commission as I do, add 5 cents for that and the hogs will cost him $4.03 at his plant—just 25 cents a hundred less than out of here. And then folks ask what's wrong with our market. . . . "

Comment from a different marketing field upon this subject of undercut prices is of interest: "We stated that the effort to advance prices must begin in the West. It is probably difficult for wool growers in the West to realize the undermining effect a few sales out there at low prices can have upon this market, particularly some of the sales which are made to certain dealers who, for a small commission, are constantly trying to get orders at prices below the market here. . . . we were having a very healthy market, when two or three clips of wool were sold in Arizona on a basis of 32 to 34 cents, landed [Boston]. . . . Accordingly, what did they do? . . . . They stopped operations with us and the balance of the wool trade to see how the Western market would develop." (National Wool Marketing Corporation, Boston, in *Wool Market Letter,* week ending Feb. 25, 1933.)

with rates from Indianapolis to those eastern points. For example, the Muncie hog price is based on prices at the Indianapolis market, usually being 15 to 25 cents lower than the Indianapolis price, depending upon receipts and upon demand at Muncie. If a packer at Columbus, Ohio, needs Indiana hogs, he can buy them 15 to 25 cents a hundredweight cheaper at Muncie than at Indianapolis, and the freight rate is 2 cents a hundredweight less. If he buys at Winchester, the freight rate is 3 cents less than from Indianapolis. These same freight differentials and price differences hold, in general, for purchases of Indiana hogs by packers at points farther east.

Of relevance here are the comments of eastern packers upon comparative hog costs between local and terminal markets. In August and September, 1933, the head hog buyers of several important eastern packers were interviewed. Some gave only general information; others laid out their killing sheets and showed the exact differences in costs and in yields, origin by origin. All reported that local market hogs were costing less than hogs purchased at terminal markets.

One packer reported that his local market hogs averaged from 2 to 10 cents a hundredweight cheaper, depending upon the point of purchase. A second packer said his local market hogs cost a flat 20 cents less on foot, than his terminal market hogs and in addition gave a higher dressed yield. This packer said that he would buy all of his hogs at the local market if it could fill his entire orders. He was the one packer who did not express a preference to buy at terminal markets if present price inequalities between local and terminal markets could be eliminated. A third packer said that his local market hogs cost but a little less than terminal hogs; that the big advantage to him was that he got the hogs a day fresher;[1] that he preferred to buy on his terminal market but that it was not openly and freely competitive—he could not always bid on or buy what stock he wanted. A fourth packer said that he preferred to buy on his own terminal market, but that he was buying quantities of local market hogs because they cost less at his plant. Then he added: "I can't give you the specific information you want, you can read between the lines." A fifth packer said that at any time his local market hogs did not average at least 10 cents a hundredweight cheaper on foot, he was not interested in them. And he buys quantities of local market hogs and buys them from many sections.

[1]That would be true only of rail and long-distance truck shipments to terminal markets. Most truck consignments to a terminal market sold for shipment on order would be no farther from the farm in time than hogs purchased at local markets in the same territory on the same day.

In the Interstate Commerce Commission hearings already referred to, Mr. George A. Casey was asked if he thought a "20 cents [freight saving] would be a diverting factor [diverting hog-buying orders from one market to another]?" He answered that a saving of 10 cents would be a diverting factor; that even 5 cents was a valuable consideration.[1]

From a different field the same principle is presented in the following statement: ". . . . the merchant-trucker presents one of the most difficult phases of the trucking problem since he establishes prices through his ability to deal directly with the individual farmer. If one or more truckers are able to purchase their supplies below the established market level, they may disturb the market in all the consuming areas in which they operate . . . ."[2] If, in the preceding sentence, the word "packers" be substituted for the word "truckers," the statement may be applied almost directly to the present hog-marketing situation.

A buyer on one of the principal corn-belt terminal markets, working on a salary for one of the large independent eastern packers, said, in December, 1932: "Hogs would be at least a dollar higher right now if all hogs were coming to the terminal markets." A well-known order buyer, operating both at terminal and local markets, said on the same day: "What these local markets are doing to hog prices is just too bad. If farmers knew the situation as I know it they wouldn't sell a hog there. But since that's where they apparently want to sell them, we've got to be there to buy them." Another prominent order buyer said early in 1933: "The good eastern packers for whom we buy hogs tell us that, so far as their business is concerned, they would rather have had hogs at 5 cents a pound this winter than at 3 cents; that they could have handled just as many hogs and would have made more money." Opinions are, of course, not proof, but coming from reputable men who know the practical trade situation from every angle, they are worth attention.

The following statement furnishes the opinion of another close student of livestock marketing problems as to the effect of those conditions upon hog prices:

"During the last few years there has developed an increasing disparity between packers. The cost of doing business has not changed proportionately in the different areas and the small killer has had an added advantage over the large operator. With marketing costs relatively high, packers

[1]Before the Interstate Commerce Commission, Dockets 25123, 23449, at Chicago, Ill., Feb. 13-18 and Feb. 27-Mar. 8, 1933, Vol. 3, p. C-1637.

[2]National Highway Users Conference, Special Bulletin, "The American Transportation Problem," Mar. 25, 1933, p. 10.

situated in the producing territory have had considerable advantage as to volume of business and in many cases there is also an advantage in shipping the finished product as against shipping live hogs. As a result, there has been further decentralization of hog marketing and . . . . more selling competition. All of this has had considerable influence on hog prices as it has been particularly depressing on the fresh pork market. In Chicago there has been considerable dumping of fresh pork, not necessarily at sacrifice prices but at prices below the market and at the same time showing a satisfactory margin over killing and marketing cost. When this takes place on the basic price-determining market for hogs, it is directly passed back to the producing areas and causes a vicious cycle that becomes cumulative in depressing hog prices."[1]

As a remedy some would suggest that terminal costs must be brought into line with the local market costs. Such a remedy would be helpful, to the extent that it narrowed local market margins, but it is doubtful whether terminal charges could be reduced sufficiently to alone solve the problem. Assuming that stockmen will do nothing to improve conditions—and they cannot act effectively without better organization than now exists—the situation may be met only thru: (1) readjustment of freight tariffs and freight rates; (2) reduction of terminal market charges; (3) governmental control; or (4) concerted agreement and action by the packers.

As to the effect upon wholesale meat prices of the concentration of large volumes of meat purchases by centralized chain stores no statistical data were obtainable. Within the last twelve months the situation has been discussed with some twenty recognized packers, their locations ranging from Iowa to Cincinnati, Detroit, New York, and Ontario. Their statements, if they could be repeated, would challenge the attention of every livestock producer. These men, without exception, said that under present conditions chain-store buying practices tend to depress wholesale meat prices. One man went so far as to say that today chain-store buying methods have more effect on hog prices than the packers have. Another packer, in a large eastern city, stated that the buyers for two chain stores largely determined the wholesale price of beef in that metropolitan area. Packers recognize the ability of chain stores to check consumption of certain meats or meat cuts, by directly discouraging their sale or by making "leaders" of those that they want to move. This is a subject worthy of a separate study and cannot be given due attention here.

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[1]Conway, H. M., "Program and Organization for Restoring Hog Prices to Their Pre-War Parity With Prices of Commodities That Farmers Buy." National Live Stock Marketing Association, Chicago, Aug. 3, 1933, a mimeographed publication, pp. 11, 12.

Economists may question the analysis presented in this section on the effects of local market operation on hog prices, pointing out that because *Packer A* is able to buy hogs more cheaply than *Packer B*, it does not follow that he will sell his meat any cheaper. Obviously two courses are open to *Packer A* under such conditions; he can maintain his meat prices, thus increasing his margin, or he can reduce prices, capture part of *Packer B's* business, and thus increase profit as a result of lower overhead expense per unit. There is no question in packers' minds as to which course is being generally followed.

For over two years packers have been selling on price markets, where premium for quality was increasingly difficult to maintain, and where a surplus of product was almost constantly on hand. Under such conditions the packer's chief possibilities of profit were: (a) to buy his livestock cheaper, and (b) to reduce overhead by increasing the volume handled. The set-up demanded reduced meat prices, whenever possible, in order to hold or expand volume.

Likewise it may be contended that packers would not sell meats to chain-store buyers for 5 cents if independents were paying 6 cents. In theory that is perfectly true. In practice the situation is very different. First, the excess number of independent retail meat dealers, handling small volumes of business and operating on apparently wide margins, limits the ability of such dealers to move the total packers' output. Second, the chains are now the big-volume buyers and volume orders have been tremendously attractive to packers. Third, the chains have developed very effective buying departments, their organizations contacting practically every important packing center in the country. Fourth, wherever distress product was involved, the chains were able to move it—at a low price, for cash—and to use those prices as levers on all packers. Moreover the chains, like the packers, seek volume as the most important element in their success. Able to buy cheaper than their smaller independent competitors, they could well afford to sell a little cheaper and thereby increase the volume and thus the total profit.

In view of conditions and relationships as reviewed in this section the conclusion is that local markets, as now operating, have tended to depress hog prices.[1]

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[1]Some of the material in this section was presented in the *National Live Stock Producer*, Chicago, Nov., 1933, p. 4, and in the Kansas City *Daily Drovers Telegram*, Nov. 2, 1933. A number of packers, writing the author, expressed, with one exception, definite agreement with these articles. One packer, a nationally known operator, wrote as follows: "I hope this article of yours will reach the millions of farmers now affected by the evils of direct buying and will be the means of awakening the government to the needs of changing this evil method that is today undermining the prices of livestock."

PART V. LOCAL LIVESTOCK MARKETS AND THE COOPERATIVES

There have been two types of cooperative associations, local cooperative livestock shipping associations and terminal livestock sales agencies, the latter to a large extent developed by the former. A number of these shipping associations have, however, been crippled or destroyed by the spread of motorized livestock transport and also by the rapid rise of local livestock markets, which at the same time have diverted increasing numbers of hogs from the terminal markets. The terminal cooperative sales agencies have shown that, where competently managed and capably staffed, they could be both efficient and profitable to their patrons. But as the local markets drew business away from the terminals, stockmen who favored cooperative marketing have faced the dilemma of establishing their own local markets[1] or of ultimately giving up the idea of developing, owning, and directing their own livestock marketing system.

The first cooperative local livestock market in Illinois was the Champaign County Livestock Marketing Association, which began operations in May, 1930. The Illinois Livestock Marketing Association was organized in 1931 for the purpose of coordinating the activities of local associations and of furnishing a statewide sales service. It has rendered helpful service, but has been unable to coordinate effectively the various elements in the market in Illinois. Indeed, it is an open question whether Illinois livestock producers are yet ready to support a program of this kind.

Of the cooperative local livestock markets[1] in Illinois, only three are listed in this study (see Table 3) because only that number were operated daily. Since daily livestock price quotations were not available for any of the three, price analyses comparable to those presented in Part II were not possible. In numerous instances in which single-day price comparisons with privately owned local markets were available, the cooperatives made a creditable showing.

As has been pointed out previously, a greater coordination of sales activities is necessary if hog producers are to serve their own interests

[1]Cooperative local livestock markets have been severely criticized in some quarters as destroying the terminal markets and fostering direct selling. One may well reply that the volume of livestock they have handled has not been large enough to be a factor in the situation; that the experience and the information gained have been worth while; and that direct marketing has been overemphasized only where a local manager considered that the best way to strengthen himself and his program.

in dealing with the better organized buying interests. The cooperative system affords a practical way of attaining that objective, provided a sufficient number of producers actively seek and support it.

Possible Advantages of Cooperatives to Stockmen

The possible advantages to stockmen of a cooperative marketing association may be listed as follows:

1. The stockman receives the full benefit of economies made possible by volume operation.

2. Better and cheaper livestock transportation can be developed under a single coordinated transport service for the entire area.

3. Low-cost but dependable insurance coverage is possible in connection with such a transport system.

4. The weighing, sorting, and grading is carried on under the growers' own control.

5. Payment is made according to quality and value of stock delivered.

6. Full information on market requirements can be transmitted directly to individual stockmen.[1]

7. Members can be informed regarding important problems involved in actual marketing operations.

8. As large a proportion of the volume as possible is marketed on days of high price.

9. Market outlets can be effectively selected, and thus a slightly higher average price, both daily and yearly, can be obtained.

Difficulties Encountered in Management of Cooperatives

It must be recognized, however, that effective cooperative livestock marketing agencies contend with a number of difficulties most

[1]The principle underlying the educational work by a cooperative terminal sales agency, as described in the following editorial, might with modification also be used by a livestock marketing association. "The other day a great cooperative commission company on the largest livestock market in the world held its annual meeting. This convention was held out in the alleys and the pens and took the form of a demonstration on the market classes and grades of beef cattle. We tramped back and forth thru the yards amidst the snowdrifts learning the difference . . . . between good and choice and fair and common, between a cutter and a low-cutter. Then we trooped into the packing house to see the difference in the carcasses, and what effect the grades of live cattle had on the price of sirloin.

"Here was an educational process of vital importance to our industry. We do not remember any other commission company having thus gone out to its customers to initiate them into the 'mysteries' of marketing. Is not this will to inform, this desire to educate its membership, the real reason why the cooperative commission houses have registered such growth in business?" *Breeder's Gazette,* Spencer, Ind., April, 1931, p. 42.

of which are due to shortcomings of the human element rather than to inherent defects in the plan. The successful development and operation of these cooperative markets is usually more difficult than a similar accomplishment with a privately owned undertaking. Some of the reasons for this may well be pointed out.

1. Experienced and qualified men often are not available as directors. Few stockmen are well enough acquainted with actual livestock marketing operations to serve effectively in this capacity. If an inexperienced man is chosen, it takes time for him to gain a thoro understanding of the problems and a sound basis for prompt and definite decisions.

2. The selection of a good manager is often a difficult problem. Even large operators often lack sufficiently detailed knowledge of marketing problems and operations to judge wisely in selecting the manager of a livestock cooperative. And upon a competent manager depends at least half and sometimes all of the success of the organization.[1] Only men with substantial terminal market experience, or its full equivalent, are competent to manage county or district cooperative livestock marketing associations.

3. The cooperative lacks facility and flexibility in making adjustments to changing conditions. In the privately operated business one or two men decide what is to be done, and do it. In a cooperative a board of directors (5, 7, 9, 11, or even 15 men) must debate the proposition from various angles, assuming that each has previously given the question sufficient attention really to understand it; an actual decision may be delayed a day or a month; and then the decision may be by a bare majority. If, however, the minority does not support the decision, or even publicly opposes it, the morale of the membership is impaired. One outstanding association has not had, at least until recently, a unanimous board on any important decision—in several instances weeks passed before a decision was reached. The success of the association under such circumstances is due almost entirely to the manager's ability to go ahead with the job even without unanimity among the board members.

[1]That packers recognize the necessity of employing trained and qualified men, even as local buyers, is clear from the following: "Only two stations have managers with less than ten years' buying experience, while managers of 12 stations have had 10 to 35 years of experience, and two managers have had 45 years' active experience in hog buying. All the head buyers have been at some time buyers for packers on some terminal market, while several have bought hogs on two or more terminal markets . . . ." "How Direct Buying of Hogs Is Done Today in Iowa," Derrick, B. B., "American Cooperation," 1927, Vol. I, p. 562.

4. Farmers are not accustomed to making decisions promptly. In dealing with most of their regular problems, they need not make immediate decisions, but in business prompt decisions are always desirable, often imperative. As one man put it: "Co-op managers . . . . know how long it takes a farmer board of directors to make up its collective mind . . . . "

5. Harmonious teamwork is necessary. If the helpers are not wholeheartedly behind the manager, maximum success cannot be expected. The manager of the cooperative must be free to use his best judgment in selecting, hiring, and firing his helpers. One important association employed an ineffective salesman for several years because, according to reliable reports,[1] certain directors would not allow him to be discharged as he favored them in selling their livestock.

6. There is frequently a lack of working capital, a difficulty found among cooperatives in all fields.

7. The operation of a cooperative frequently costs more than the running of a similar privately owned concern. More labor is sometimes employed at a cooperative market than would be carried if the yard were operated privately. If conditions at a distant point require investigation, the manager of the private yard does the work. The cooperative might send a committee of directors, probably with the manager; or in some instances the whole board might go. In short, there is seldom the same attitude toward spending association money that there is toward spending one's own funds.

8. Farmers' organizations are frequently unwilling to pay a salary necessary to attract and retain a competent manager. High pay, to be sure, does not make a skilled manager out of a mediocre person,[2] but neither can a competent manager be retained at farm-hand wages. Many stockmen have high respect for a private operator who draws ten or twelve thousand dollars a year, yet regard anything over two hundred dollars a month for a cooperative manager as unreasonable.

9. The average stockman expects more in both price and service from a cooperative than from a privately owned agency.

10. Many stockmen use the cooperative as a trading device instead of developing it as a permanent and continuously operating outlet.

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[1]Information to the writer.

[2]Unfortunately an attractive managerial salary sometimes brings about manipulation to transfer the manager's post to an influential member of the board of directors. A competent board is the best safeguard against replacement of a good manager by a politically-minded director.

11. To many stockmen the cooperative market is evidently a convenience, not a conviction. They are willing to use the cooperative if guaranteed more money than they can get elsewhere.

12. Many stockmen have the idea that only by selling direct can they receive the best returns. In one county it is not unusual for stockmen to say to the manager: "If your hogs are going direct today, I'll send mine in; otherwise I'll wait till later."

13. Too many growers take the most convenient route, feeling that they have "marketed" their livestock if they have themselves seen it sorted, watched it driven over the scales, and then have received the check in person.

14. Many stockmen have not yet begun to think in terms of marketing their own livestock; literally thousands of them still accept the dictum that their job is to produce the stock, and that it is the business of others to sell it. They have as yet no adequate conception of the improvements that remain to be effected in the field of livestock and meat marketing.

15. Most stockmen think primarily in terms of market costs—saving a nickel here or a dime there—not in terms of price-levels.

16. The individualistic trading attitude continues to dominate, the producer being more interested in getting five cents more than a neighbor gets rather than in getting ten cents more for both himself and his neighbor.

17. The livestock community as a whole fails to realize the possibilities of an effective stockman-owned-and-directed marketing association and to recognize the service that can be rendered an entire community by even a reasonably effective association.

18. Often the attitude of the community toward the cooperative marketing idea has been colored by emotion or prejudice, possibly an inevitable condition in the early stages of any important movement.

The rank and file of farmers and stockmen rate the success of a cooperative by the higher price it brings them, the evidence of such service being soon obscured because competitors raise their prices to the new level and stockmen quickly forget what the earlier level was or what changed it. For proof of this statement conclusive data are not available, but certain analogies may fairly be drawn from information at hand.

Evidences of Services by Cooperatives

At Decatur, Ill., it is evident from Fig. 6, some outside influence tended to narrow the spread between local and terminal market prices from 1931 to 1932; also in both years to hold the price higher at Paris than at Charleston. Since the major change in the Decatur situation was the establishment of the Macon County Livestock Marketing Association, with a steadily growing volume of business, a reasonable assumption is that it contributed to a raising of the price-level at Decatur. One familiar with local conditions could judge accurately the amount of rise for which the association should be credited. If the amount of such increase were multiplied by the volume of hogs (in hundredweight) marketed from the area affected by the association, the result would indicate the total price benefit accruing to stockmen of that area as a result of the association.

At Paris, as shown by Fig. 7, prices appear to have been consistently higher than at Charleston. Here two outside agencies are to be considered, the Paris shipping association and a local packing plant. One familiar with all local conditions could apply the test just suggested in order to estimate the cash value of the local cooperative.

In Champaign county it is safe to say that the Livestock Marketing Association raised the local hog price-level a minimum of 15 cents a hundredweight in the first year of its operation. Assuming that 75,000 hogs (averaging 200 pounds) were marketed in the area directly affected by association operations, the result was $22,500 cash benefit to stockmen in the area for the year. At the same time there is being built up a marketing organization that should prove increasingly valuable.

Sections that develop their own livestock marketing outlets can reduce marketing costs by concentrating volume thru one agency, at the same time building a service organization that becomes more valuable as the community becomes more skilled in operating it.

If local markets are to become the principal channel for distributing livestock to packers and if the interests of stockmen are to be conserved, two conditions are essential: that there be the minimum number of local markets necessary to serve the territory, and that their operations be under the direction of effective producer control. The latter will depend upon stockmen's becoming informed about livestock marketing operations and adopting the industry point of view.[1]

[1]During the November, 1933, deadlock in the Chicago hog market, the sales manager of the Illinois Livestock Marketing Association sold no hogs direct to Chicago packers. Instead his Chicago hogs were consigned to the open market to support the commission firms. One local association desiring to sell its hogs to Chicago packers, who were urgently soliciting them, said: "That isn't our fight. Why not sell our hogs instead of having them tied up in the yards?" This statement illustrates the personal or local point of view in contrast to the industry point of view.

Attitudes of Packers Toward Cooperatives

The attitude of packer buyers toward cooperatives should also be considered. Again opinions vary—a few are definitely favorable to the development of cooperatives, many are indifferent, others are definitely but quietly unfavorable. Some packers appear quite willing to buy from local cooperatives but do not favor the development of federated or centralized cooperative selling.

A well-known Iowa buyer, asked as to the outlook for cooperative hog marketing in Iowa and whether it offered definite advantages to hog producers, answered that he thought that the outlook was not too favorable, but that "cooperatives would help the hog producers more than anything else they could do," that they could "raise the price of hogs tomorrow" if they would effectively support their cooperative sales organization and organize more cooperatives where they were needed.

Another leading Iowa buyer, who has little to say regarding the place of cooperatives, expresses the definite opinion that farmers are "best served by having plenty of local buyers and trucker buyers[1] operating thruout the country."

Broad or Narrow Cooperation

A too restricted view of cooperation is often taken. Cooperative livestock marketing is, in practice, much broader than many are aware.

It would have been most helpful if, years ago, the livestock exchanges at the various terminal markets had introduced active measures for more closely coordinated sales policies (day by day and week by week) in each section (hogs, sheep, cattle) of their respective markets, as well as between markets. There may still be the possibility for useful efforts in that direction, tho the opportunity is far more limited than before local market competition became so widespread.

Better working relations may develop between terminal cooperatives and old-line firms, especially where the cooperatives have scrupulously observed all agreements that they have undertaken in dealing with the exchange or its membership and have also been militant, if necessary, in advancing the interests of the market.[2]

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[1]As a rule students of livestock marketing have not favored livestock buying by truckers. A pertinent comment on this subject is presented in the Minnesota bulletin quoted in the footnote on page 455.

[2]As cases in point the three following instances are cited. At Cincinnati the manager of the cooperative sales agency visits the hog yards daily. One morning observing a buyer sorting a string of their hogs, he said to the head salesman, "Which is he taking, the ones he's putting in or the ones going by? Just

Among recent examples of such cooperation may be cited:

1. The joint action taken by the National Live Stock Exchange, National Live Stock Marketing Association, and the Farmers' Livestock Marketing Association in formulating a "Code of Fair Competition" for the livestock marketing industry—completed in October or November, 1933.

2. The cooperation of all sales agencies on the Chicago market (Exchange, Producers, and Farmers Union) in an attempt to hold up hog prices on that market (see Chicago *Daily Drovers Journal,* Nov. 9-20, 1933). As would have been expected, receipts by direct shipment from country points made it impossible for these agencies to secure the full prices asked but the move demonstrated, probably for the first time, the willingness of all sales agencies to support a single program that they believed sound.

3. At East St. Louis, the whole-hearted cooperation of cooperative firms and members of the Exchange in handling the government purchase of pigs in August-September, 1933.

The trend toward centralization of business,[1] in most lines, continues to an extent little realized by farmers and stockmen. A year ago this statement made by a member of the Federal Farm Board was given general distribution:

"Farmers must organize and concentrate their selling power to meet the concentrated buying power of the men who handle their products in the process of marketing and distribution. The buying power on the part of dealers who market farm products is so concentrated that four companies control about 90 percent of the tobacco consumed in the form of cigarettes in this country. These four companies control about 80 percent of all tobacco consumed in the United States. You dairymen know that five companies control so vast a quantity of dairy products that they domi-

[1]Selected illustrations of cooperative organizations, too extensive for inclusion here are listed in *Appendix F,* page 612.

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lock them up; we're not selling hogs that way." They were locked up until the next day's market. In another instance, a short time ago, when the Cincinnati hog market was low and the salesmen could not get it up, the same manager over the radio told the farmers the facts regarding the market situation and asked them to hold their hogs back or send them to other markets. In a few days the situation was corrected.

The third instance was at Chicago in May, 1933, when on the 24th and 25th of that month all packers refused to bid above $4.80 for hogs; salesmen demanded more; the stand of the stronger commission firms apparently encouraged the rest, and sellers stood firm for more money. For two days (see Chicago *Daily Drovers Journal,* May 23-26, 1933, Hog Market Report columns) the bulk of the hogs had to be carried over, but on the 26th the sales forces gained their point with the extreme top going to $5.10. An acquaintance, occupying a responsible position on the Chicago market, but not connected with any sales agency, said that the market's largest cooperative sales agency was nate the market. Three dealers handle about 40 percent of the cotton produced in the United States. Ten men handle half the wool, and four companies process two-fifths of the livestock."[1]

Objectives and Possibilities

The first objective of all cooperative livestock marketing associations is to obtain more money for members' livestock. Presumably that result might be gained by any of the following methods:

1. Reducing marketing costs.
2. Equalizing livestock prices, eliminating low spots.
3. Narrowing the spread between producer and consumer.
4. Concentrating the volume in the hands of fewer agencies.
5. Increasing consumption by improving the quality of meats and by advertising more widely the benefits of meat as food.[2]

Something more can be done in reducing market costs, principally by concentrating a larger volume in the hands of fewer agencies and by improving methods.

Much can be done in equalizing prices; that is, in eliminating "low spots" and "soft spots," provided enough stockmen become sufficiently informed to know how to attack the problem, and provided they select effective agencies to do the job and then give them the necessary support. It is believed that in this field lies one of the real opportunities in cooperative livestock marketing.

That the producer is receiving a smaller proportion of the consumer's expenditure for meat than formerly is shown in Fig. 10, page 499, and more concretely in the data tabulated on page 583.

Direct narrowing of this spread between producer and consumer might be accomplished, at least to some degree, by better sales coordination and sales policies in transferring livestock to packers.

In addition to substantial accomplishment already effected by cooperative agencies there is still ample opportunity for future achieve-

[1]From an address by W. F. Schilling, Federal Farm Board, before National Cooperative Milk Producers' Federation, San Francisco, Cal., Oct. 4, 1932.

[2]It should be said, in passing, that the National Livestock and Meat Board continues its efforts to inform the public of the superior qualities of meats as food.

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entitled to much credit for leading the successful fight. Commenting in its issue of May 27, the *Journal* said: "One of the features of the trade this week was the resistance of the selling side when packers attempted to drive prices lower in mid-week after rubbing out 30c to 40c of last week's advance. A deadlock developed that lasted for almost two days on a large number of hogs. This marked the turning point of the market and prices headed into an advance, closing with part of the earlier losses recovered."

DISTRIBUTION OF CONSUMER'S MEAT DOLLAR[1]

	To producer	*To packer*	*To retailer*
Pork	*cts.*	*cts.*	*cts.*
1913	56	19	25
1932	31	38	31
Beef			
1913	61	23	16
1932	49	20	31
Lamb			
1913	73	14	13
1932	50	14	36

ment.[2] One condition retarding more rapid development is the failure by many producers to discriminate between paper cooperatives and real cooperatives; between paper plans and proposals and actual achievements. Disappointment and disillusionment have been frequent. Only a person with ability to organize could in many instances initiate and complete the organization of a cooperative, as is true in starting a business or a company in any field. That type of person, however, is often not competent to direct the actual business operation. Some of the most disastrous failures in the cooperative livestock marketing field have resulted from men who were essentially promoters and organizers attempting to direct an important livestock cooperative when they did not know, or would not learn, livestock marketing practice and technic.

Livestock producers are accustomed to pay a marketing charge when their livestock is sold, but only a few of them have yet considered the advisability of contributing anything directly for the maintenance of a general sales organization. One hears of tremendous expenditures for advertising by manufacturers. In 1931, for example, 19 million dollars was spent in radio advertising alone by one of the cigarette companies. While the sale of hogs may not justify such expenditures as this, it may become desirable to set up and maintain a comprehensive and coordinated sales program supported by all hog producers. While a unified and coordinated corn-belt program should be the objective, state-wide sales services could render valuable aid until the broader service is perfected.

If every Illinois hog producer contributed one cent per hog per year to the maintenance of an expert hog salesman with an office and

[1]*National Live Stock Producer,* Chicago, editorial sections, Nov. and Dec., 1933.

[2]Ashby, R. C., "Trends in Marketing Livestock," Proceedings of the International Conference of Agricultural Economics, Second Conference, 1930, pp. 612-613.

necessary equipment, there would be—assuming the state markets around 5 million hogs a year—about $50,000 annually for the maintenance of such a sales and information service. This salesman would keep constantly in touch with all market and packer outlets and would furnish information regarding all instances of price inequality as they developed. Assuming that one of his functions would be to sell hogs as well as to furnish information, he could do so effectively only if supplied with a constant and sufficient volume—preferably at least 200,000 head a year.

Should Iowa hog producers adopt the same method, there would be, from the marketing of some 12 million hogs annually, a yearly fund of $120,000 to support such a service. It is not hard to imagine what could be accomplished for the Iowa hog industry with such resources and with 300,000 good hogs for sale thru one competent agency.

It should be recognized that in such a cooperative association there probably would be friction between various groups, between salesmen and supposed-to-be salesmen. Results could be accomplished only if administration of both the service and the funds was put into the hands of operators of demonstrated ability and integrity. It is not at all improbable that sales services, such as the above, properly supported by hog producers, could raise the average price of hogs by 10 cents a hundredweight.

Opportunity for service by efficient cooperatives—those having managements possessing both brains and courage—was never greater, but such cooperatives can succeed only to the extent that stockmen patronize and support them.

However, it does not appear now that any cooperative, or group of cooperatives, is in a position to solve, soon enough, the most serious problem immediately facing the industry, viz., the correcting of the inequalities that exist in the prices of hogs to packers as a result of the lack of coordination between local and terminal livestock markets and because of freight-rate irregularities.

In conclusion it is appropriate to quote from a recent issue of a great metropolitan newspaper, both for the contents of the quotation and for the significance of its publication. Misrepresentation of facts regarding all forms of agricultural cooperation by powerful city dailies has been so common that it is extremely gratifying to find one newspaper that really knows something of what is involved in agricultural cooperation and looks far enough ahead to see that its reasonable success is likely to benefit business and industry as well as agriculture.

"Direct-action agitators who hope to obtain converts by disseminating in this state the views of . . . . Non-partisan League governor are a peril to the movement for effective cooperation by farmers. Radical thought on the farms is receiving encouragement from two extraneous sources. Communist agitators are at work in some farming districts. So are representatives of old-established marketing agencies. The purpose of each group is to break down rational farm cooperatives. It is probable that the cooperative movement in this state has advanced farther on sound lines, and therefore encouragingly and beneficially, than in any other state. Interests apprehensive lest the movement achieve success in balanced production, in marketing by farmer-owner agencies and in cooperative buying of farm supplies employ extraordinary means to hamper, if not prevent, its further progress."[1]

[1]"Farm Radicalism in Illinois," Chicago *Daily News,* Dec. 16, 1933, page 8.

PART VI. THE PROBLEM AND APPROACHES TO A SOLUTION

Preceding chapters have disclosed two serious difficulties fundamentally responsible for the existing demoralization of hog-marketing operations: the inequality in the price of hogs to the packers, and the irregularities in freight-rate relationships, amounting in some instances to discrimination. A third difficulty should not be omitted; namely, the wide spread between the farm price of livestock and the cost of meats to consumers.

At least six major groups would be concerned in or affected by readjustments of hog-marketing operations. They are—

1. Stockmen
2. Transportation organizations (railroads)
3. Markets (terminal and local)
4. Packers and processors
5. Distributors and retailers
6. Consumers

In almost any industry the producers of a commodity usually know how, where, and when to market it, and provide whatever organization is necessary for the undertaking. But hog producers, as a whole, are not well informed as to present-day marketing conditions and problems. Too many are thinking in terms of hog marketing as it was ten or even fifteen years ago; they are not agreed on methods; and even if a policy were agreed upon, they have no general organization capable of carrying it out. Their hogs have largely been sold in whatever way promised individual advantage on the day of sale—perhaps a natural result of existing economic conditions on farms. Consequently these producers are not in a position to adopt effective measures for their own interests. Altho here and there groups are both organized and well informed, they are not sufficiently numerous or extensive to affect greatly the immediate situation. Any united action that is taken by producers will be mostly in response to outside influences, and more or less in the manner of mass action, probably in response to some emotional appeal.

Regarding the railroads and their connection with these marketing problems, there are two points at issue: (1) readjustment of freight-rate relationships between live hogs, fresh meats, and packing-house products; and (2) adjustment of freight costs, on hogs moving east, between local and terminal markets (freight from point of origin in each case). Action on either of these issues must come thru the Interstate Commerce Commission and in the face of opposition by powerful interests. Each of these problems having been previously discussed, suffice it to repeat that the granting of in-transit rates to terminal markets, with change of ownership of stock, would practically equalize local and terminal markets in the movement of hogs to eastern packers. No single action, if so ordered as to be workable and practicable, would contribute more to the correction of present unsatisfactory conditions.

What Terminal Markets Might Do

The terminal markets find themselves steadily losing business to local markets, with the Packers and Stockyards Administration pressing on both stockyards companies and sales agencies for reduction in charges.

As to the stockyards companies, five courses of action might be considered:

1. Readjusting corn prices, charging but a small differential above market price, changing the price with each five-cent or ten-cent shift on the markets. Revamping yardage charges so that most of the revenue would come from that source.

2. Writing off capitalization of property used for stockyards services in line with existing lower price-levels, thus continuing earnings on a basis of lower service charges.

3. Reorganizing stockyards facilities in keeping with the volume of livestock receipts in recent years, releasing property not required for market purposes, thus lowering property account and allowing a reduction in service charges.

4. Abandoning present high-priced sites used for terminal stockyards in many cities, turning the land to industrial uses, and building new yards farther out, on cheap land. There are many objections to this procedure but it has been seriously suggested.

5. Establishing a sliding scale of stockyards charges, rates to be adjusted monthly, at first, or quarterly, according to receipts in the preceding period; charges except on feed to be reduced by 40 percent whenever receipts double those of the base period—say 1932-1933; each class of livestock (cattle, calves, sheep, hogs) to be handled separately.

The corn price adjustment would have been a strategic move two years ago, when it would have been most helpful. Still useful, it would be less valuable now than then. The fifth proposition is included because it is believed that any stockyards company can, on the basis of present operations, handle an increased volume of receipts without a corresponding increase in operating expense.

Few livestock commission firms have made money in recent years. Yet the Packers and Stockyards Administration continues to press for lower commission charges. If one may judge from the schedule of commission rates and charges put into effect at Omaha,[1] and later upheld by the courts, the Administration seeks to establish schedules of rates and charges on which only the larger firms can expect to survive.

It will be false economy to force the adoption of lower rates than will permit the larger and stronger firms to earn a reasonable profit. Quality of sales service is always much more important on a livestock market than the saving of a dollar or two per car in commission.

More stockmen are today really giving attention to the problem of the relations of local to terminal livestock markets than at any time in the past, asking whether, under existing conditions, local markets are contributing to lower hog prices; and they are beginning to wonder, what will be the outcome. To the extent that new interest exists, effective action by terminal market groups will find a response.

What Packers Might Do

Packers, both thru the Institute of American Meat Packers and in group or territorial organizations, have been giving careful consideration to prevailing conditions. Possible courses of action on their part would seem to include:

1. Adoption of a definite scale of hog prices, intended to eliminate the major inequalities now effective. Plans to be considered might include—

- a. Price of hogs graduated on the basis of freight-rate zones.[2, 3]
- b. Price of hogs zoned on the basis of market territories.[3] This does not seem to be a workable scheme.
- c. A territorial hog-price system based on the delivered price of fresh pork from plants having the most favorable freight rates into the given area. This plan was definitely proposed by eastern packers a few months ago, as a step in case readjustment of freight-rate relationships from interior Iowa-Minnesota points could not be secured.

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[1]Docket 143, Packers and Stockyards Administration, Bureau of Animal Industry, U. S. Department of Agriculture.

[2]For an example of territorial freight rates in Illinois, see Ill. Agr. Exp. Sta. Bul. 342, pp. 170-175.

[3]Either the same price would have to be paid at all points in each zone or packers should be allowed to buy as they could, paying into a central fund the diffierential between base price and price actually paid. It is doubtful that this could be carried out.

2. Limitation of the number of "direct" hogs to be slaughtered by any plant, or restriction of "directs" to a definite percentage of the total slaughter.[1]

3. Allocation of the supply of hogs to each plant—buying anywhere but killing only a maximum number per year. In many respects this appears, from the standpoint of stockmen, to be a thoroly undesirable proposal.

4. Abandonment of terminal markets as such, adopting the policy of buying at local markets and allowing terminal markets to continue with only such truck business as would continue to be attracted to them.

A proposal to abandon terminal markets raises at once the question of providing a substitute for them as price-basing mechanisms.

A Substitute for Terminal Markets

It was suggested in Part III that possibly the hog industry cannot afford to support terminal markets when but half the commercial hog marketings move thru them. Many ridicule any suggestion that terminal markets are needed; for example, one unusually well-informed student of livestock marketing operations said to the writer in 1933: "Why pay to maintain all this machinery of terminal markets—stockyards, hundreds of salesmen, exchange buildings, market newspapers, stockyards banks, government inspectors, and packing houses in the big cities? Why not move all the livestock direct to the packers that want them, and save this terrific expense?"

If terminal markets were abandoned, some saving in marketing expense could probably be effected, but just how much is uncertain. Livestock must be assembled in sufficient quantities to permit effective sorting and grading, for few packers want to buy "mine-run" stuff. A careful survey should be made on this point.

The more important question is, what sort of price-basing, or price-determining, or price-reflecting mechanism can be substituted for the terminal markets—"the open competitive markets," as they are often called, altho close students recognize clearly that recent changes in the livestock marketing field have definitely restricted the degree of free and open buying competition remaining to many terminals.

The most frequent suggestion is that carcass cut-out values be substituted for terminal market prices as a price-making basis, since wholesale pork prices afford a daily indicator of the value of hogs.

[1]Action with respect to plants that have purchased all their hogs "direct" would be a source of difficulty here.

To a considerable extent that is the practice now, for most packers make frequent cutting tests, and the *National Provisioner*[1] carries in each issue cutting test results that are readily adaptable to any packer's requirements.

One valid objection to the adoption of day-to-day cut-out values as the basis of price of live hogs is that cut-out values, for the same hogs on the same day, vary from plant to plant (depending upon overhead, adequacy of equipment, skill in operation, efficiency of labor, quality of product, sales performance, sales expense, etc.).

Consequently the elimination of terminal or central markets and the adoption of cut-out values as the sole basis of hog prices could well result in a great number of local buying areas and much irregularity in prices. If that happened, two steps would probably become necessary: (1) the setting up of a regional or national system for determining and announcing what were fair daily hog prices on the basis of wholesale prices of pork and pork products; or (2) the establishment of machinery for correlating sales at the numerous local sales points, with qualified sales managers in charge and with complete information constantly at their command on hogs, pork prices, and marketings.

An important Iowa operator, when asked a few months ago what should be substituted for terminal markets as a mechanism for determining hog prices, replied: "Why, the cut-out value of the hogs—that's about what we do anyhow. Of course we don't quit killing hogs just because they don't show a cut-out profit for a day or for a period. We have certain plant expenses that go on whether we operate or stand idle. Consequently, even if cut-out is in the red, we would continue operating as long as actual losses did not exceed what the fixed expense would amount to if idle."[2]

His answer suggests two further considerations: (1) that no plant could be expected to operate "in the red" if buying its hogs solely on an immediate cut-out basis; and (2) that competitive conditions maintain hog prices where some plants have, or claim to have, cut-out losses, the present market machinery still being sufficiently effective to afford a considerable number of packers opportunity to bid on a reasonably large proportion of the total hogs offered for sale. At the same time market information is sufficiently general and dependable to give operators everywhere a reasonably definite price operating basis.

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[1]Trade magazine of the meat packing industry, published at Chicago.
[2]Statement to the writer.

Since the turnover in pork products is slower than in beef or lamb, more speculation appears to be involved in hog-packing operations. While beef or lamb transactions are largely closed out in two weeks or less, products representing a large percentage of the value of the hog (ham and bacon, if cured) are carried from one to three months, the packer basing his operations both on the actual price of fresh pork products and on the expected price of cured products.

A second proposed substitute is that the price of live hogs be based on retail prices of pork and pork products. That suggestion does not seem feasible, for the contact between retail operations and live-hog and wholesale markets is, at present, too indirect.

A third possibility is for groups of local markets to arrange with established order buyers now operating on terminal markets to handle the sales end of their operation. To be effective this plan would require a sufficient volume of hogs at every local market to permit as close sorting and grading as now obtains at terminals, and would also require the supervision of each local by a manager with terminal market training or its equivalent.

The net economy of such an arrangement would depend upon a number of considerations. One argument for it is that the local market would be relieved of sales expense, except communication expense with the order buyer, the order buyer charging the packer the usual buying commission regardless of where the hogs were loaded.

Barring the establishment of too many local markets, granting effective local management, and assuming that in-transit rates will not be accorded the central markets, it appears that hogs can be assembled, sorted, and graded at country points at less expense than by sending them thru terminal markets. The more important question is whether an effective selling system—one whereby a sufficient proportion of all hogs offered for sale every day can be open to bids by a sufficient number of representative packers to maintain a competitive market—can be developed and operated at materially less expense. As yet that question has not been answered either definitely or finally. Probably it can be answered positively only by trial,—by a process of experimentation,—which the livestock industry is doing, in a cut-and-try fashion.

Equalization of Prices

A precedent for the establishment of equality in the price of hogs to packers may be found in the milk-marketing field in the form of bargaining agreements between milk producers and distributors in specific milk-marketing areas. Professor Leland Spencer of Cornell

University says, ". . . . there is nothing which the more reliable milk distributors desire so much as a guarantee of some sort that their competitors will be under the necessity of paying as high a price for their product as themselves. However, it often is the case that some of the smaller and less efficient distributors are able to compete successfully with the more efficient distributors because they are able to obtain their supply of milk at a lower price."[1]

More recently certain states have recognized the public interest in milk marketing to the extent of creating commissions or bureaus with authority to supervise and, if necessary, control milk-marketing operations. In Wisconsin, emergency legislation[2] was adopted, declaring milk to be a public utility and authorizing the State Department of Agriculture to regulate milk distribution and to fix its price in the larger cities.[3] In New York, as a result of the report by a committee authorized by the 1932 Legislature to investigate dairy conditions in New York State, a Milk Control Board was created.[4] Up to July, 1933, the Board had established minimum prices for various classes of milk purchased from producers by dealers, also minimum prices to be paid by consumers for milk delivered or purchased directly from stores.[5]

Milk marketing and hog marketing, to be sure, are not parallel operations. The milk-shed areas found in the milk-marketing field have no exact counterparts in the hog-marketing field. In the latter field there is nothing corresponding to various forms of city or state dairy regulation by which the territory supplying milk or cream to the area is rigidly restricted and inspected. Yet the basic principle—the necessity of equalization of hog prices to processors—applies to both.

In connection with this question of equalization of hog prices, it is of interest that the pig-marketing plan recently adopted in England provides for a uniform price "ex farm" thruout England, the Commission stating: "We think that the balance of equity rests on the side

[1]Quoted by permission from a letter to the writer on January 7, 1933.

[2]Press report in the Chicago *Daily Drovers Journal,* Apr. 10, 1933, p. 6.

[3]In December, 1932, a milk price war developed among milk distributors in Milwaukee. The Wisconsin Department of Agriculture promptly warned the distributors that losses from their price cutting could not be passed back to milk producers in the form of lowered milk prices. This action was taken under an opinion by the deputy attorney general that the Department had authority to declare the Milwaukee milk price war a violation of the state's unfair trade practices act. See Chicago *Daily Drovers Journal,* Dec. 20, 1932, p. 5.

[4]Laws of New York, 1933, chap. 158. (the act became effective April 10, 1933).

[5]Information from Secretary of the New York Milk Control Board, under date of July 3, 1933.

of an 'ex farm' national price, and that this system would also favour the more efficient factories; we therefore recommend its adoption."[1] The area involved in the problem of equality of farm prices for hogs in England and Scotland is about equivalent to the combined area of Illinois and Iowa.

Public Regulation of Local Livestock Markets

The idea that legislation should provide a certain degree of supervision or control over local markets has gained adherents in late years. Among general proposals that have received attention are these:

1. Taxation of all hogs bought direct, by an amount equal to the difference between the price actually paid and the price of comparable hogs at the nearest terminal market;[2] the tax thus collected to be put into a fund to be used for the general good of the industry. No details have been submitted as to how this plan would be operated.

2. Requirement of state grading and weighing at all local markets, the markets to pay the expenses of the service required.

3. Burdensome and expensive supervision in an effort to discourage local markets.

4. Prohibition of direct buying by packers. No definite or detailed plans to this end have yet appeared. Both the legality and practicality of the idea are fundamental questions.

The demand for regulation or supervision of local livestock markets has arisen mainly from two sources: (1) agencies whose business has been curtailed because of the rapid rise of local markets; and (2) persons and agencies who know of undesirable practices at some of the local markets, that have operated to the definite disadvantage of stockmen. The motives of the first group may not be wholly selfish; they have frequently taken the initiative in the movement for regulation because they were in position to know, earlier than most, what was going on at various points.

Probably the first definite movement of this kind appeared in Minnesota. As early as 1927 a bill was introduced in the Minnesota legislature,[3] to provide for state weighing and grading of livestock at all nonmarket packing houses and concentration yards handling more than five hundred head of livestock daily.

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[1]Report of the Reorganization Commission for Pigs and Pig Products, Ministry of Agriculture and Fisheries, London, 1932, p. 41.

[2]Mr. A. W. Joy, District Livestock Market Supervisor, Packers and Stockyards Administration, Indianapolis, Indiana, has been frequently mentioned as having originated this proposal. It has attracted much attention.

[3]Senate File 379, introduced by Senator H. H. Bonniwell.

In 1933 proposals for state regulation of local livestock markets were introduced in the legislatures of Minnesota, North Dakota, and Indiana. In Minnesota a livestock license bill[1] passed the House but was nullified by Senate amendment. In North Dakota, House Bill No. 282 was passed by the legislature but was vetoed by the Governor. In Indiana, Engrossed House Bill No. 420 was enacted to become effective on July 1, 1933. In brief, the Indiana law provides that every local livestock market or buyer of livestock for, or for sale to, a packer (except operators on recognized terminal markets) must, for every operator and for every buying point:

1. Secure a license from the Department of the Treasury (Indiana).

2. Provide a surety bond of a minimum of $5,000 (in a company approved by the U. S. Treasury and doing business in Indiana).

3. Have his scales inspected and tested every month by a representative of the State Department of Weights and Measures.

4. File an annual report with the Department of the Treasury (Indiana), giving all the information that the Department may deem necessary for its exercise of supervision under the Act.

In addition the Act provides for revocation of licenses, by the Department of the Treasury, for cause.

The Indiana measure, it is believed, accomplishes four worthy objectives. (1) It requires a license for every operator and for every operating point, with specific provision for the revocation of licenses in case of violations of the law. (2) It provides for the posting of surety bonds ($5,000 minimum), which affords some assurance against irresponsible operators. (3) It requires monthly inspection and testing of scales.[2] (4) The Department of the Treasury is authorized to require from operators of local markets "all the information that the Department may deem necessary for its exercise of supervision." Thus for the first time are ways established for obtaining full information as to volume and type of operations. In the writer's opinion the Indiana law has definite merit. Probably it will not accomplish all that is expected—much will depend upon its administration.

In Iowa a bill was recently introduced in the legislature,[3] proposing state regulation of packing plants, slaughtering houses, and concentration yards.

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[1]Senate File 608, introduced by Senator Roy F. Crowley.

[2]Note discussion on scales and weighing in Part III. Competent inspection and testing will disclose the condition of a scale; it is in no sense a guarantee of honest weights when the inspector is not present.

[3]Senate File No. 434, Senator Harrington, Special Session, 1933.

The writer, however, after four and one-half years of service on the staff of the Packers and Stockyards Administration, during which there were repeated opportunities to observe operations of numerous local livestock markets of various types and in different areas, has limited confidence in the efficacy of occasional visits by an inspector or supervisor as a preventive of irregular practices.

It must be recognized that a state or federal supervision gives the irregular operator an appearance of probity. To a doubting patron he shows his license or registration certificate, and says that he is operating under state or federal supervision and is told what he can or cannot do—that there is no chance for him to do anything wrong.[1]

As to the establishment of state weighers and graders at all local markets, it should be recognized that at yards handling small volumes, the expense would be too great for the amount of business done; at the large yards the operator could, if so inclined, afford to pay the state grader and weigher more to favor the yard than the state would or could pay.[2]

Government service may of course be performed honestly and ably if employees are selected on a strictly merit basis and if they are permitted to operate freely. However, permanent improvement of market conditions can be effected only to the extent that stockmen have full information. The Indiana law should make it possible to get much of the information which should be available.

Action by the Agricultural Adjustment Administration

Since the establishment of the Agricultural Adjustment Administration there has been increasing discussion as to what action this agency might take to alleviate or eliminate some of the more serious difficulties now interfering with effective functioning of the hog-

[1]The use of government supervision to justfy conditions to which stockmen object is illustrated by the statement of the president of a leading livestock exchange with reference to livestock commission charges. "These tariffs were made by the United States Government and not by the commission men." The fact is that the tariff in question was not made by the United States government at all. It was first formulated by the Exchange, then filed with the Packers and Stockyards Administration as required by law, and by that agency permitted to become effective.

[2]Speaking of what could be expected to happen if a state grader and weigher were stationed at one large yard, a man who is thoroly acquainted with conditions thruout his own state and adjoining states said: "With the volume he handles, ——— could pay a state man two or three times what the state could pay him; and if he didn't work for ———, he'd find himself fired or transferred."

marketing machinery so that the stockmen might receive what is generally regarded as a fair proportion of consumer meat dollars.

The following are suggested as possible courses of action:

1. An immediate survey of the hog-marketing situation should be made and embodied in a plain-spoken report on conditions that need to be remedied and recommendations made for practical methods of dealing with them. A group of four or six picked men could complete a comprehensive preliminary survey and submit their report in a period of six weeks. Such further investigation could then be undertaken as their results indicated to be necessary.

2. The A. A. A. might confer with a selected group of packers, work out a plan of hog buying for the entire corn belt, and ask all packers to adopt it voluntarily.

3. The A. A. A. could work out its own plan, prescribing a definite method of equalizing hog prices between packers, and ask the industry to adopt it, licensing packers as an alternative to their refusal to comply with a reasonable program.[1]

Action by Organized Consumers

As to the problem of decreasing the wide spread between the farm price of livestock and the cost of meat to consumers, distributors and retailers could scarcely be expected to favor a further narrowing of handling margins. Nor can consumers do much until they are at least partially organized. Once organized, consumers could contribute much by checking on levels of retail prices and on quality and uniformity of products and by cooperating toward reduction of distributing costs.

Of interest to consumers is the following statement of Mr. Conway:

"Considering the fact that the present composite retail price of hog products is at parity . . . . the hog producer should be first concerned with getting hog prices back in line with prices that the consumer pays. This involves nothing other than reducing the increased cost of distribution that has existed since 1920. . . . . This widening represents the increased costs involved in processing and distribution and . . . . corresponds directly in amount with the reduced total purchasing power of the hog producer."[2]

[1]The possibility of such action is predicated on the Agricultural Adjustment Act, 1933, Title I, pt. 2, sec. 8, pars. 2-3.

[2]Conway, H. M., "Program and Organization for Restoring Hog Prices to Their Pre-War Parity with Prices of Commodities That the Farmer Buys," National Livestock Marketing Association, Chicago, Aug. 3, 1933, a mimeographed publication, p. 5.

New Methods

Among the new methods in hog marketing that are being tried, two developments in the slaughter and transportation divisions are receiving close attention:

1. Hogs are slaughtered near the points of origin and the refrigerated carcasses are shipped to eastern packers instead of live hogs. The plan has been used for some time, but to what degree is not known. It has received increasing attention in the last two years and its proponents go so far as to say that by the end of 1935 no live hogs will be shipped east of Chicago. The volume of hogs so handled is claimed to be steadily expanding, but definite data are not available. The practice is based on two developments: (1) increased train speed which shortens the time in transit and (2) improved refrigeration thru the use of mechanically refrigerated cars or much improved cars for ice refrigeration.

The arguments advanced in favor of this plan are briefly these: (1) there is greater economy in transportation expense and the eastern packer is relieved of the disposition of the offal; (2) the transit loss from dead and crippled hogs is eliminated; (3) no killing floor being required,[1] the eastern plant has less investment and lower overhead and operating expenses.

The opposing contentions are these: (1) Thus far Mississippi river dressed hogs do not reach eastern consumers in the fresh and flavorous condition of home-dressed pork. (2) Eastern packers have built their reputation on home-killed meats—if now they change to shipped-in meats, they at once put themselves on the same basis as western packers who ship in all their meats. The opinions of eastern packers with whom these problems were discussed varied. A majority believed that the preference for home-dressed pork would continue. Some pointed out, however, that the general practice of chain stores in featuring western-dressed pork at lower prices than those asked

[1]The real test is, of course, by actual trial. Regarding the experience of an eastern plant that operated by shipping in dressed hogs, two men made these statements. Both agreed that the plant had to be rebuilt, no hog killing department being included in the new building. The first stated that careful tests were made previous to rebuilding the plant, that a hog-killing department was deliberately omitted, that the company has operated entirely on shipped-in dressed hogs, and that the results have been all that were expected. The second, probably in a better position to know all the facts, was of the opinion that the hog-killing department was omitted from apparent necessity, that arrangements were made in advance with another local plant to slaughter hogs for them if it were necessary, that they have operated largely on carcasses shipped in, that the results have not been what was desired, and that the company would prefer to kill its own hogs locally if conditions permitted.

for the home-dressed product might gradually break down the well-established eastern preference for freshly-dressed pork. (3) The packer depending entirely on dressed hogs has a narrower field from which to draw his supplies and might, at times, find it difficult to buy them as cheaply as live-hog prices would seem to permit.

2. Another proposal is both to dress the hogs and cut up the carcasses near the point of production, shipping to various eastern centers only those wholesale cuts which the trade of each section demands. Packers regard this new method as a definite possibility but thus far it is reported to have developed less rapidly than the shipping of carcasses—in part, perhaps, because the latter permits more prompt handling, the carcasses being but partly chilled at the plant, then loaded, and the chilling completed en route; that is, where efficiency of refrigeration permits.

Some students of the packing industry maintain that further decentralization—that is, the operation of more slaughtering plants thruout the hog producing territory, with corresponding reduction in slaughter at terminal market plants—will occur as soon as business conditions improve. They base their opinion largely on the premise that the movement of large volumes of hogs to a few large plants is uneconomic—that it is more practical and more economical to slaughter nearer production centers.

Such a development depends naturally upon the relationships between freight rates on live hogs, on fresh meats, and on packing-house products; also upon the density of the local population and the proportion of a plant's product that can be sold within a truck-distributing area.

A vital question, if further decentralization of slaughter does occur, will be *whether it will apply to operation only or to ownership and control of plants as well.*

Some contend that the ultimately desirable solution is the provision and operation of small cooperative packing plants, such plants either supplying dressed hogs to commercially operated plants or processing and merchandizing their own products. Until a majority of stockmen are far better informed than now, take more interest in marketing their own livestock, demonstrate their ability to maintain and operate effectively their own marketing organizations, and acquire more business experience and ability, the success of cooperative packing plants except under particularly favorable conditions appears uncertain.

Surplus Hogs—Surplus Packers

The volume of hogs available for processing during the next two years will obviously be reduced to the extent that the Agricultural Adjustment Administration hog reduction program becomes effective. As a result of this reduction, there may be a surplus of packing plants, or at least of plant capacities and of pork distributive facilities and personnel. If such is the case, it would appear that packers, having fewer hogs to process, might follow one of three courses:

1. Accept less profit per hog processed.

2. Widen their margin on hogs in order to maintain a profit rate.

3. Widen margins on beef and lamb to compensate for reduced income from hogs.

Whatever the developments, the interests of stockmen will be affected, and they should therefore follow these changes closely.

Information Necessary to Stockmen

Whatever the developments impending, stockmen must at all times understand *existing conditions* in the livestock marketing field if they are either to plan their own marketing intelligently, or to make certain that their individual operations are not in conflict with the best interests of the industry as a whole.

Additional information is therefore needed by stockmen as a basis for the formulation of a more effective and economical livestock marketing program. The following items, for example, are important (information on some of the topics is not available and probably could be obtained only by governmental action):

1. A thoro survey of freight-rate relationships on livestock (especially hogs), fresh meats, and packing-house products, from the standpoint of the entire corn belt, for both livestock interests and meat packing interests. Also, a survey of the question of livestock in-transit rates.

2. A comprehensive study of intermovements of hogs and of meats to ascertain whether there is much duplication of movement or unnecessary transhipping.

3. Comprehensive information as to retail and wholesale meat prices on a regional basis, in addition to price data as now collected for specific cities. If livestock prices are to be more definitely based on packers' cut-out values or on the prices consumers pay for meats, it becomes imperative that adequate data be available by regions, both as to retail and as to wholesale meat prices.

4. The annual operations of packers by groups, including data on—
   a. Slaughter volume, by species.[1]
   b. Sources of livestock supplies, by species.
   c. Buying organizations—systems and methods employed.
   d. Distribution of products—areas served.
   e. Prices and sales policies—to what extent each group is a factor in upholding wholesale meat prices.
   f. Operating costs, margins, and profits.
5. Chain-store buying operations in regard to—
   a. Proportion of total retail meat distribution handled by chains.
   b. Meat-buying policies.
   c. Cross-section studies of wholesale prices paid by chains and by independent buyers.

6. Livestock and meat grades and grading, the whole problem being approached from the standpoint of market usability, of facilitating payment to stockmen according to grade of livestock marketed, and of assisting consumers to identify and obtain better quality of meats.

7. Periodic analyses of livestock marketing problems by selected agencies, with the facts put frankly before the public, including both livestock producers and meat consumers.[2]

Two Basic Questions

Two basic questions confront stockmen: (1) how to develop a unified and coordinated livestock marketing system that will serve efficiently and economically in processing meat animals and in distributing

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[1]Available data credit Armour, Morris, Cudahy, Swift, Wilson with 71.4 percent of the total 1922 federally inspected cattle slaughter, 69.5 percent of the calves, 79.3 percent of the sheep, 49.7 percent of the hogs, or 59.3 percent of all species of meat animals slaughtered under federal inspection. (See "Merger of Meat Packing Companies," Senate Document 283, 67th Congress, 4th Session, pp. 7-8, 1923.) Attempts to secure similar data for later years have not succeeded. Such information, for each important group of packers, should be available to the livestock industry, annually.

[2]In connection with the above it is interesting to note a list of the weaknesses of the hog-production industry in England and Wales, many of the points mentioned being applicable to the industry in the United States.

". . . A summary of the weaknesses of the industry in England and Wales, which are mainly matters of organization, is contained in the second interim report of the Pig Industry Council. . . Briefly, these are: (1) superfluity of breeds and types; (2) lack of efficiency measures such as would be provided by pig-recording and litter-testing; (3) inadequate technique in feeding and management; (4) excessive losses from disease; (5) irregularity of production; (6) lack of defined carcass grades; (7) circuitous route of fat pigs from farm to destination; (8) uneven distribution of bacon factories; (9) type of factory cure; (10) uneconomic factory throughput; (11) lack of national grade standards for bacon; (12) misrepresentation of imported supplies.

"To these, three can be added from the Ministry's Report on The Marketing of Pigs, . . . namely, (13) the gamble of the store market; (14) the absence of payment for quality; (15) inadequate market intelligence."

From "Report of the Reorganization Commission for Pigs and Pig Products," Ministry of Agriculture and Fisheries, London, 1932, p. 11.

meats to consumers, that will assure stockmen of an opportunity for effective bargaining, and that will furnish adequate and unbiased market information; (2) whether stockmen can be induced to take an effective part in shaping such a system and in making sure that it will serve their interests at least as well as it serves those of other groups.

If the present trend of developments takes its own course, it is probable that an increasing proportion of hog marketings will flow thru local markets, the terminal markets themselves gradually degenerating into overgrown local markets.

Regarding the possible courses of action previously outlined in this chapter, it may be said that conflicting interests will probably prevent powerful packers or groups of packers from adopting a united program. Freight rate irregularities must be adjusted before any satisfactory system of livestock marketing can be developed. Terminal markets cannot make sufficient adjustments to meet the situation until freight rate handicaps are removed. Stockmen are not sufficiently well organized to deal effectively with the problems before them. Distributors and retailers are not concerned about stockmen's problems. Consumers are unorganized. The only prospect, then, of immediate steps toward stabilizing the entire corn-belt hog-marketing situation in a definite effort to obtain for hog producers more equitable returns from their marketings, appears to lie in government action.

SUMMARY

The effects of local market operation upon terminal markets and upon hog prices constitute a most complex and intricate problem. It is difficult for one person to visualize and to understand all phases of it; yet that is what stockmen must try to do if they are to safeguard their own interests in deciding the important marketing questions which are now in the way of being answered.

This study was undertaken in order to help toward a better understanding of present-day livestock marketing conditions. It is expected, however, that the reader will weigh for himself the evidence presented and then make his own interpretation of the facts. Indeed stockmen must do that with all material submitted to them, particularly so because of the continuous attempts of many conflicting interests to win their support.

Development of local livestock markets in recent years has been rapid. Where there were few of them in the corn belt ten years ago, some 250 or more were in operation at the end of 1932. They are largely privately operated, altho in Iowa a considerable proportion (and in Illinois a growing proportion) are operated by packers. The physical facilities—pens, chutes, sheds, and so forth—are, as a rule, owned by the railroads.

Since buying practices at local markets affect all stockmen in the areas of such markets, stockmen should inform themselves regarding them—do local market operators buy hogs in the country; do they treat all patrons alike, or "take care of" large and influential operators; do they subsidize local truckmen, in one form or another; do they encourage truckmen to buy livestock; do they keep their scales accurate and honestly operated? Uniform treatment of patrons, particularly by smaller markets, is not as general as might be desired.

Analysis of daily hog prices at six Illinois local markets, over three years, showed considerable variation, both between markets and between different weights of hogs at the same market. For the most part, price differences between terminal and local markets tended to narrow during the period studied. Decreasing truckage charges on consignments to terminal markets were apparently responsible for a part of this change.

Freight-rate situations favoring local markets constitute a major reason for the development and operation of local markets. As a result of cancellation of in-transit privileges at terminal markets, hogs moving to eastern packers via a terminal market must pay a combi-

nation of two freight rates, whereas the local market moves them on one thru rate. At 25 local market points in the Chicago market territory (Table 11, page 485), the average possible saving from this source figured 15.2 cents a hundredweight in December, 1932. It is doubtful that stockmen selling hogs at local markets have received their full share of the benefits resulting from such freight savings. Eastern packers state definitely that hogs purchased at local markets cost them less delivered at their plants than similar hogs purchased at terminals; the differences reported being from 2 to 20 cents a hundredweight.

A most important factor in the present market situation, so far as Illinois stockmen are concerned, is the extremely low freight rates on fresh meats from interior plants to the Chicago and St. Louis markets, the rates on fresh meats being about three-fourths as high as the rates on live hogs. The result is that interior packers can undersell plants operating elsewhere, while the high freight rates on live hogs make it almost impossible for competing plants to buy Iowa hogs in competition with the interior packers.

These inequalities in the price of hogs, arising partly because local markets can undersell terminals and partly because of freight rates preferential to fresh meats, have been a serious problem to many packers, a severe handicap to the terminal markets, and hence a disturbing factor in hog prices. So long as some processors can buy hogs at lower prices than others, competing packers must buy cheaply as a matter of self-preservation, and the major emphasis in packers' competition will be in trying to buy hogs cheaply.

In Illinois, and in general in other states, local market prices are based directly on terminal market prices. Therefore any influences which affect terminal markets adversely reduce local hog prices and affect general hog prices unfavorably. For this reason the relations of local markets to terminals are of great importance.

The operation of local markets has materially reduced receipt of hogs available for sale at the terminal markets; has tended to lessen the proportion of top quality hogs in such receipts; and has reduced hog-buying competition on the terminal markets. These effects furnish ample grounds for concluding that the result of local market operation has been to weaken the general level of hog prices. As the number of local markets increases and livestock selling decentralizes still further, important groups of packers are finding it increasingly difficult to compete effectively at the local markets in buying their supplies. To this extent the interests of stockmen suffer.

That local markets afford advantages to individual stockmen is not to be denied. Local markets are more conveniently located; returns are prompt; they appear to make possible a saving in marketing expense; and there is less hazard of price change while livestock are enroute to them. Less apparent to individual stockmen, and hence frequently disregarded, are certain very definite disadvantages, namely: payment for livestock is not guaranteed, as at the terminal markets; there is a tendency for local markets to weaken hog prices as mentioned above; many local markets handle hogs only, affording no outlet for cattle, calves, or sheep (or afford it only on specified days); there is less assurance of accurate weights and little opportunity for competitive sorting and grading; and finally the development of a surplus of local markets will increase marketing cost without furnishing any equivalent advantage.

The matter of accurate and dependable weights is one to which stockmen need to give special attention, for it is fundamental to sound marketing. Local market scales are not as well maintained or tested as frequently and as thoroly as are terminal market scales. The result of this fact, together with the fact that there is more opportunity at local markets for questionable weighing practices, is that weights at local markets are in general less dependable than at the terminals.

In the operation and control of local livestock markets, stockmen's organizations play only a minor role. Of 21 local markets operating daily in Illinois at the end of 1932 only four were operated by farmer-owned cooperatives. There are several reasons for the slow development of cooperatives in the field: The operation of a successful cooperative is in many respects more difficult than the management of a private agency. Then too, many stockmen have not yet begun to think in terms of marketing their own livestock. The great majority of them think in terms of *marketing costs*—saving a nickel here or a dime there—rather than in terms of *an organized marketing system that could bargain effectively.* Stockmen, generally, retain the individualistic, trading attitude—they are more interested in getting five cents more than their neighbor than in getting ten cents more for both self and neighbor. And far too many simply take the route of least resistance, assuming they have "marketed" their stock if they have watched it sorted, have seen it driven on to the scale, and have received the check in person.

Despite their difficulties, effectively managed cooperatively owned local markets may afford definite advantages to stockmen: patrons receive the full benefit of economies made possible thru volume operation; the organization of one coordinated transport service for the entire area means better and cheaper service; growers control sorting, grading, and weighing; patrons receive a slightly higher average price both daily and yearly because of a consistent selection of the best market outlets.

As to the solution of the problems discussed, if enough stockmen were fully informed and effectively organized, they could promptly and readily solve their marketing problems. Unfortunately stockmen are not so informed and organized.

Terminal marketing expense might be reduced by either or both of two measures: (1) by stockmen concentrating their consignments in the hands of the strongest sales agencies, thus reducing the number of agencies and making possible more effective and more economical service; (2) by stockyards companies reorganizing their facilities on the basis of present-day receipts, releasing for other employment facilities not needed, thereby reducing overhead expense.

By granting to all terminal markets in-transit rates with change of ownership, the railroads could, by one act, go far toward solving the local market problem.

Packers themselves could probably eliminate inequalities in hog prices, as well as other difficulties, but conflicts of interests between different groups have prevented their agreeing on one program.

Finally, the Department of Agriculture, under the Agricultural Adjustment Act, could perhaps initiate measures that would be adequate to meet existing conditions. There is no prospect of early remedy from other sources.

As the situation stands today stockmen are supporting and maintaining two sets of markets, local and terminal, the latter steadily giving way to the former. Barring the appearance of some new factor in the situation it appears likely that the terminal livestock markets will continue to give way to the local marketing system because of the stronger competitive position of the latter, based on the factors noted above.

Too few stockmen realize the rapidity with which decentralization in livestock marketing has taken place during the last few years. However, only as they become aware of this decentralization and its attendant problems, and take effective steps to coordinate their selling operations, can they expect to overcome their present disadvantages and put themselves in position to bargain effectively with the meat packing and meat distributing groups.

APPENDIX A

A Brief Statement on Beginnings of Local Livestock Markets in the Corn Belt

Local livestock markets, as considered in this discussion, appeared late in the nineteenth century. Mr. Henry Reeves, now living in Chicago, is considered the originator of the concentration plan of selling hogs in the Mississippi Valley. Mr. Reeves in 1931 said that in the 1890's he was buying many hogs in northeastern Iowa, operating out of Decorah but buying at many points and concentrating many of his hogs at McGregor. He believed that he could move hogs direct to eastern packers cheaper than they could buy them out of Chicago, and so he presented his plan to the Squire and North packing companies in Massachusetts. When first approached, they declined to try it. Later he shipped them many hogs.

These statements are supported by an Iowa study as follows:

"Marquette, formerly North McGregor, claims the distinction of being the earliest buying station. It was established as a private business in 1892 by a local livestock buyer who operated throughout a number of counties adjacent to this railroad junction. During the period of 1892 to 1910 the larger part of his purchases were consigned to two different packing companies. It was not until 1910, however, that this station began shipping the bulk of its consignments to a large packing plant which consumes a large volume of Iowa hogs. It is further claimed that the practice of country point buying by the packers originated through the ideas and suggestions of this buyer."[1]

"This buyer," it appears clear, was Mr. Reeves.

About 1901[2] J. P. Squire and Company established a buying point or concentration yard at Valley Junction, Iowa.[3] Within the next three or four years[4] they established similar buying yards at Burlington, Muscatine, and Clinton in Iowa, and at Keithsburg and Savanna in Illinois. Originally all of these points depended primarily

[1]Hamans, C. W., "Direct Packer Buying of Hogs in Iowa," master's thesis, Iowa State College, 1923.

[2]Information given to the writer by Swift and Company, Chicago, and stated as being approximately correct.

[3]Mr. Hamans, work cited, says: "Direct Packer buying of hogs in Iowa really had its beginning at Valley Junction, Iowa, and Savanna, Illinois, during the year 1903."

[4]Exact information on matters of this sort are often difficult to obtain. As early as May, 1916, Mr. G. F. Swift, Swift and Company, Chicago, asked his subordinates for dates of the establishment of the Keithsburg market and similar points, but was informed that the exact dates were not available. See "Report of the Federal Trade Commission on the Meat Packing Industry," 1919, Part 3, pp. 114, 115.

upon railroad shipments of hogs purchased from country buyers and billed to the different buying yards under concentration and thru billing privileges. As hard roads were built and trucks came into use, the above points also purchased truck hogs.

Further information on the early phases of this development is available in the following statement by the Interstate Commerce Commission:

"It will lead to a clearer understanding of the issues here presented if a brief history of the origin and growth of the transit or concentration arrangements be recited. The greatest consumption of hog products is in that part of the country east of the Mississippi River and north of the Ohio River, and the larger volume of the movement of the live hog and meat and other products of the slaughtered animal is from the western territories of production to the east. There has never been a large open market for the sale of hogs in New England, and the local production of hogs has always been comparatively small. Therefore, supplies for packers in that region must be secured from long distances. In the beginning of the hog killing and packing business eastern packers depended in part on local production, although live hogs in large numbers were bought and shipped from Buffalo and Chicago. During the winter seasons these packers bought large quantities of frozen dressed hogs that were slaughtered at interior points in the west and shipped in ordinary box cars. The shipment of frozen dressed hogs was discontinued because there was no refrigeration then available. If a shipment encountered warm weather en route some of the meat arrived at destination in spoiled condition and large losses were the result. The shipping of the live hogs on a dressed weight basis was then adopted. From the year 1880 up to and including the year 1890 about 25,000 car loads of hogs annually were shipped to the far eastern packers on the dressed weight basis from points in the states of Ohio, Indiana, Illinois, and Iowa. This system was adopted by shippers because it saved to them stockyard charges, commissions, etc., that would have accrued had shipments been made to and through established markets. This manner of conducting the business continued until rigid post mortem examinations were instituted by state and federal governments. After inspection became rigorous and effective shippers discovered that hogs were being condemned which were apparently sound and wholesome and country buying and sales on the dressed weight basis declined rapidly. Eastern packers desired to continue buying their supplies of hogs in the country because of saving of market charges, etc. They tried buying f.o.b. tracks at country points. In a very short time this method proved to be a failure because it was found that the grading, pricing, and weighing by the country shipper led to high cost of hogs and heavy shrinkage en route. It was found that to buy hogs successfully in the country it is necessary to have a representative on the ground to price, grade, and weigh the animals before shipment.

"The first transit arrangement on hogs under tariff authority was established at Boone, Iowa, in February, 1890. Shipments under transit were made prior to that time without tariff authority. For example, from Valley Junction John P. Squire & Company has made such shipments for more than 25 years; from North McGregor to Milwaukee, Indianapolis, and Detroit, such shipments were made over 30 years ago; and an arrangement has been in effect at Savanna for more than 30 years with respect to shipments east of the Mississippi River. When rules were published with respect to handling hogs in transit, when shipped from the west to points east of the Indiana-Illinois state line, demands were made by shippers for similar rules with respect to shipments to other points, and from time to time they were established by defendants. For example, as before stated, from certain described territory hogs for the Chicago market are transited at North McGregor; from certain points for Cudahy & Company at Kansas City hogs are handled in transit at Creston; and from certain territory hogs shipped to Cedar Rapids are handled in transit at Perry."[1]

[1]National Live Stock Exchange *vs.* C. B. & Q. *et al*, 47 I. C. C., 380, at 388. Decided Nov. 30, 1917.

APPENDIX B

Copy of a Letter From the Illinois Commerce Commission

State of Illinois
ILLINOIS COMMERCE COMMISSION
Springfield

November 16, 1932

In your reply
please refer to
file No. E-1

Inquiry relative to the
lengthening of certain rail-
road yards or portions thereof
for private use to industries.

Mr. R. C. Ashby,
University of Illinois,
Division of Livestock Marketing,
Urbana, Illinois

Dear Sir:

Subsequent to our conversation recently concerning the above entitled matter, I have made some inquiry and failed to find anything bearing upon the matter of leases entered into by and between railroad companies and industries covering the use of railroad yards or portions thereof.

Regretting my inability to be of much service to you in this matter, I am

Yours truly,
(Signed) C. N. Posegate
Railroad Engineer

APPENDIX C

Sale of Big Packers' Stockyards Interests in Pursuance With Provisions of Packers' Consent Decree

Information from the Department of Justice[1] indicates, in brief, the following developments in carrying out the provision of the Packers' Consent Decree[2] that the Big Packers should dispose of their stockyards holdings, viz:

1. The Court in April, 1921, appointed two trustees with the power and duty of voting all stock owned by Swift and Armour in stockyards companies and of acquainting themselves with the conduct and operation of the stockyards and stockyards terminal railroads owned by those companies.

2. One trustee resigned in 1922. The other continued service as sole trustee until the Court temporarily suspended the decree on May 1, 1925. Compensation of each trustee was at the rate of $10,000 a year.

3. In June, 1932, following the failure of attempts to secure modification of the Consent Decree, the Court appointed Mr. Harry S. New, former Postmaster-General, as trustee with compensation at the rate of $10,000 a year, to be paid by the owners of the above stockyards interests and with the power and duty of disposing of all shares of stock owned by Swift in the specified stockyards companies.

4. Prior to June, 1925, the Armour interests had disposed of their stockyards holdings.

APPENDIX D

Extracts of Testimony Before the Interstate Commerce Commission at Chicago

Presented here are extracts from the testimony of Mr. George A. Casey, Vice President and General Manager of the Wilmington Provision Company, Wilmington, Del., before the Interstate Commerce Commission,[3] a summary thereof appearing on page 529.

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[1]Letters to the writer.

[2]Entered on February 27, 1921.

[3]From proceedings before the Interstate Commerce Commission, Dockets 25123, 25449, at Chicago, Feb. 13-18 and Feb. 27-Mar. 18, 1933, Vol. 3, pp. C-1534 —C-1670.

"Q (By Mr. Vaughn) [attorney representing among others the Eastern Meat Packers' Association] [C-1545][1] Has your Association [Eastern Meat Packers' Association] the preference to purchase your livestock, particularly hogs, at terminal markets? . . . .

"A [By Mr. Casey] Yes.

"Q [C-1546] Will you state why you prefer to make those purchases at the terminal market?

"A Because of the open competition. Because it is the chief avenue for us to buy them. The only place we can buy them successfully day in and day out. . . .[2]

"A [C-1548] . . . . We find today that the hog setting in the Kansas City and Chicago yards, the quality is running down considerably. If the top price is prevailing we do not always get top hogs. . . .

"Q [C-1546] Do you feel, Mr. Casey, that in making your purchases at the terminal markets you are better able to get the type of hog that your trade demands in the east?

"A Yes. That is the only place we can get them. . . .

"Q (By Exam. Disque) [Examiner conducting the hearing for the I. C. C.] [C-1546] Why can not you buy those hogs [the type referred to above] today on the terminal markets?

"A Because, Mr. Examiner, they are stopped at the cross-roads.

"Q What do you mean by the 'cross-roads'?

"A Stopped out in the country. Stopped at the country buying points. Favored buyers get them. We never have a chance to get them. . . .

"Q [Mr. Blanchard, attorney for Armour and Company] [C-1604] . . . . you were buying as readily and at about the same proportion at Kansas City, during the last year, as you did prior to that time?

"A Only that our ability to buy of the type and kind and grade of hogs that we want seems to be becoming less all of the time, both at Kansas City and also at Chicago . . . . The good hogs . . . . apparently are not coming in . . . . and, therefore, the quality and the number that we have been able to select from, through our buyers, are becoming less . . . .

"Q [Mr. L. J. Quasey, attorney for National Livestock Marketing Association and for the Illinois Agricultural Association] [C-1640] Do you mean that you cannot now get hogs that are suitable for your kill . . . . on the terminal markets?

"A We get hogs, but they are not of the type that we would like to buy. However, we have to buy them. We feel that the top grade of hog at Chicago today is not equal to the top grade of hogs at a concentration point. . . . What might be a top here . . . . would not be a top out there. But if we had the hogs all in one group [available to all buyers] we could decide which was the top . . . ."

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[1]Numbers in brackets refer to pages in proceedings.

[2]In connection with this statement, reference should be made to the discussion on terminal market buying competition, pages 533-547.

APPENDIX E

Extracts of Testimony by C. B. Heineman Before Interstate Commerce Commission at Excelsior Springs, Missouri[1]

Mr. Heineman was asked whether allowance of in-transit rates to the local markets but refusal of them to the primary markets worked to the disadvantage of the primary markets. The following appeared in the transcript of the proceedings:

"A (By Mr. Heineman): . . . . I will state at Kansas City our nearest competitors are at Prospect, Missouri, a point on the Missouri Pacific just outside the city limits but in the switching limits of Kansas City, and at Morris, a point just outside of the switching limits of Kansas City, Kansas, and on the Santa Fe Railroad.

"Those two stations, originally designed for feeding or fattening sheep in transit, have now developed, under the operation of the rules which became effective Jan. 25, 1932, into very active competitors with the market [Kansas City Yards]. They find that they are able to extend to the shippers patronizing those markets privileges. . . . which are not available to the shippers to the public markets. . . . They have gone beyond the mere operation of a feeding-in-transit yard and are actively soliciting shippers to those markets.

"Q (By Mr. Fitzpatrick) [attorney appearing for the St. Joseph Stock Yards Co.] That isn't a market now.

"A I am sorry to say, Mr. Fitzpatrick, that it is very much a market at the present time.

"Q Not a public market.

"A It is not a posted market; that's true. They are soliciting buyers who ordinarily come to the public markets, taking those buyers there and filling their order requirements. . . .

"Q (By Examiner Disque): If you were traffic manager for the Santa Fe, would you put into effect at Kansas City the provisions that are in effect at these little stations?

"A (Mr. Heineman): Yes sir; I believe it would be good business from a railroad standpoint to do so.

"Q As to concentration, sorting, reconsignment—where will I get all those words?

"Q (By Mr. McFarland) [attorney for the C. B. & Q. R.R.]: As I understand you, you said that you not only lost the livestock (volume of receipts) but you lost buyers. Do you mean that the buyers who ordinarily operate at Kansas City would, instead, make their purchases at some of these country points?

"A If I may illustrate it, I recall distinctly one week-end at Kansas City where we had a considerable run of cattle suitable for feeder trade. Our solicitors, in soliciting in the corn belts in Illinois, Indiana, and Ohio,

[1]Before the Interstate Commerce Commission, Dockets 25123, 25449 *et al,* at Excelsior Springs, Mo., Dec. 2 and 3, 1932, Vol. 1, pp. 161-197.

had aroused the interests of several buyers who came to Kansas City for the avowed purpose of purchasing their requirements.

"They were intercepted right in our exchange building by solicitors from Prospect and Morris. The result was those men were taken out to those outlying points, there acquired their cattle, and shipped them directly on to their feedlots at the balance of the [thru] rate. So that when our market opened on Monday morning we were short a very material buying power which we had hoped to have available for our producers who had shipped to our market on that day."

APPENDIX F

Cooperation and Livestock Marketing

So much has been said about agricultural cooperation that farmers may come to think of the principle of cooperative action as limited to agriculture. The fact is that cooperation is becoming more and more effective in business and industry. Brief consideration of some of the broader aspects of the subject, together with a few illustrations of its application, may assist farmers in appraising its possible utility in their affairs.

The following instances of the adoption of cooperative methods by business are cited by the Metropolitan Life Insurance Company:[1]

1. Organization by nine independent California canning companies of a common distributing organization to serve all the member producers. (p. 17)

2. Setting up of a central marketing organization by twenty-one concrete products manufacturers to eliminate individual selling. The manager was quoted as saying that the group is "simply taking the scheme developed for the formation of cooperative farm organizations and applying it to its own business." (p. 17)

3. Utilization of a single sales organization by two machinery manufacturers. (p. 24)

4. Pooling of sales with reduction of sales expense by four noncompeting manufacturers. (p. 25)

5. Establishment of a joint selling organization by two large brick manufacturers. (p. 26)

6. Establishment of a corporation for the merchandising of alloy steel products manufactured by three steel companies. (p. 27)

7. Organization by some twenty retail coal dealers in one eastern city of their own wholesale coal-buying company. (p. 29)

8. The establishment of cooperative delivery organizations serving groups of retail stores in thirty-four cities. In one instance two department stores organizing a joint delivery service claimed a reduction of package delivery costs by 50 percent at the end of the first seven months. (p. 30)

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[1]"Cooperative Marketing Activities in Business," Policyholders Service Bureau, Metropolitan Life Insurance Company, New York.

Other examples of cooperation in business may be mentioned:

1. Adoption of "the B. & O. plan" by Yeomans Brothers Company, pump manufacturers, Chicago. The report after one year was that the number of men on the shop payroll was not reduced, all being kept by a rationing or distribution of the work, and shop payrolls were not reduced. The management stated: "We feel the cooperative plan is largely responsible for this situation."[1]

2. In Poland the establishment of a soap producers' association with headquarters in Warsaw "which will purchase raw materials at the lowest prices, and regulate terms of payment."[2]

3. Organization of one hundred forty coal producers in a sales service under the name Appalachian Coals, Inc. "With a potential output of 80,000,000 tons a year and an investment of some $350,000,000, the producers hope to eliminate a costly scramble for markets . . . . Where there were 140 producers fighting for markets, one giant organization now will provide sales outlets . . . . Until now . . . . many agencies and producers sold coal blindly, without adequate information as to . . . . the needs of consumers, and the competition to be met."[3]

4. Maintenance by the Institute of American Meat Packers of a number of important service divisions of which the public seldom hears. One of these is a Purchasing Division, offering the advantages of large-scale purchasing to all members of the association and continuously carrying current quotations on some three to four thousand articles and commodities used by packers.

5. Further approval of cooperative action by the meat packing industry as indicated by the following statement:

"The Processors . . . . shall adopt practicable and workable policies, plans, and programs, so that the packing industry may, by elimination of unsound and wasteful practices, and the adoption of cooperative action, contribute to the accomplishment of the purposes of this Agreement and the declared policy of said Act."[4]

That other agencies also recognize the advantages of specific phases of cooperation, is indicated by the following statement about the marketing of lambs: "Orderly marketing from the West is looked for, because the boys out there are better organized than elsewhere. . . . . The Cornbelt [is] wholly unorganized. . . . ."[5]

[1]Chicago *Daily News,* Aug. 2, 1932, p. 6, col. 1.

[2]*Foodstuffs 'Round the World,* "Foreign Notes on Meats, Fats, Oils and Livestock," U. S. Department of Commerce, Vol. 1, No. 43, May 27, 1932, p. 14.

[3]Chicago *Daily Tribune,* April 17, 1933, p. 26, col. I. Also see "Appalachian Coals, Inc.," National Coal Association, Washington, D. C., 1931.

[4]"Marketing Agreement for the Meat Industry, Including Slaughtering of Livestock, and Processing and Wholesaling of All Products of Livestock," as recommended by the Executive Committee of the Institute of American Meat Packers, Aug. 15, 1933, and later (1933) considered in a public hearing before the Secretary of Agriculture.

[5]"Wood Brothers Livestock Market Digest," Chicago, Vol. 7, No. 12, Feb., 1933, p. 8.

The extent to which cooperation is being introduced in all lines of business and industry is much greater than most people in agricultural work realize. Every manufacturer's trade association, every clearing house association, every credit men's association, the American Railway Association, the Institute of American Meat Packers, the Iron and Steel Institute, the Petroleum Institute, all represent forms of cooperative organization.

Under the N.R.A. program as proposed, cooperative action would be introduced to a far greater extent than before.

It is entirely possible that the transition from a competitive to a cooperative era is not only under way but well advanced. Relevant here is an analysis of present trends by Roscoe Pound, Dean of the Harvard Law School. One should read the entire article to get its full import, but the following extracts indicate the trend of thought:

" . . . . In its broad lines, the feudal organization of society was drawn to an idea of relations and duties, not of isolated individuals and rights. The original fundamental idea was cooperation in defence. . . . . The typical man did not compete. He had his place in a cooperative organization. He was held in his place by duty of service, not by pressure of competition. The watch-word was cooperation. . . . . Our nineteenth-century picture of society was very different. It was a picture in which relation was ignored and each man was made to stand out by himself as an economically, politically, and hence legally self-sufficient unit. He was to find his place by free competition. . . . . The individual can no longer do single-handed the aggregate of things demanded for his own life. . . . . In our present economic order, business and industry are the significant activities. They stand toward the social order of today where land-holding stood toward the social order of the Middle Ages. Today every one in business, great or small, is in a shareholder relation in which things are due him as a shareholder. . . . . He is not freely competing. . . . . It has come to be the general course that men do not own businesses or enterprises or industries. They hold shares in them. . . . . the institutions of the eighteenth and nineteenth centuries . . . . do not fare well by the measure of the urban industrial order of today, by the measure of life in metropolitan cities in a time of organization, relation, and cooperation."[1]

In connection with Dean Pound's analysis the conception of the significance of cooperation as set forth by a distinguished French economist is directly to the point:

"The necessities of practical life, more powerful than systems, have given rise spontaneously in different countries to a whole crop of associations, infinitely varied in their nature, each kind being adapted to one special end, but all alike in the possession of certain general characteristics now to be described. Thus in England there are consumers' co-operative

[1]Pound, Roscoe, "Our Times Before the Tribunal of History," *The Christian Register,* Oct. 19, 1933, Vol. 112, No. 41, p. 681.

societies; in France, co-operative societies for production; in Germany, co-operative credit societies; in Denmark, rural co-operative societies; in the United States, co-operative building societies, and so forth . . . . they have procured a very real improvement in the conditions of life of those who have made trial of them.

". . . . governments and municipalities in many cases have had to have recourse to them, because they have shown that they practice a superior mode of distribution. . . . .

". . . . They are sober and sensible associations . . . . and their object seems therefore to be not to abolish individual ownership but to *make it universal,* by making it accessible to all by means of interest coupons. . . . .

". . . . In fact, though it is true that co-operative societies have no desire to abolish property or capital, yet they all aim at depriving it of its *directorship* in production, and at the same time, at taking from it the portion that it deducts on the very ground of that directing power. Their object is the *abolition of profit*—whether their rules forbid the making of any profit or whether they place it in a reserve fund. . . . . If we remember that in joint-stock companies . . . . it is capital that takes all the profits as well as directorship of the business, reducing labor to the position of a wage-earner, we shall understand what a social revolution has been brought about by the co-operative system, which reverses the situation, making capital in its turn play the wage-earner.

"So long, of course, as co-operative societies cover only a very small area of trade and production, this new system will be valuable merely as pointing out the path of progress. But if we imagine the co-operative society enlarged so as to embrace the whole nation, then the abolition of profit would effect a radical alteration in the distribution of wealth. . . . . This elimination of the middleman who is interposed between producer and consumer, when co-operation comes to make him unnecessary, is evidently equivalent to expropriation. . . . . However, this expropriation is effected not by coercion but by the normal method of free competition, ... If, therefore, the co-operative societies achieve success, we may say that their success will not be due to competition in the usual form of a struggle for existence, but to the kind that works by the 'selection of the fittest' . . . .

"Co-operation goes farther than not encouraging strife: it may be even said that a characteristic of every great form of co-operative association is the abolition of all conflict—of any struggle between rival interests. . . . .

"Finally, co-operation in all its forms . . . . claims to exert a moral as well as an economic influence . . . . it relies on the moral forces of individual energy and the spirit of solidarity—forces that are generally opposed to each other, but are reconciled by co-operation—and therein lies its educational value. Its motto is a two-fold one: *self help* . . . . providing for its own needs by its own means . . . . ; and *each for all* . . . . the desire to seek freedom not only for oneself but for others and by others. . . . .

"It is to this moral inspiration that co-operation owes its progress, as much as, and perhaps more than to its practical advantages."[1]

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[1]Gide, Charles, "Principles of Political Economy," translated from the 23rd French edition, D. C. Heath and Company, 1924, pp. 363-366.

By way of contrast one should note the same author's comment on the results of competition in which he compares competitive selling with some forms of monopolistic operation:

"Competition, on the contrary, ensures the minimum price . . . . because the sellers, in their anxiety to dispose of their goods, contend for customers, and undersell each other with that object, ... too great an increase in the number of producers or sellers may result in raising the cost of production and consequently the price as well."[1]

Following this same reasoning, one might conclude that the existence of too many sales agencies, local or terminal, would put a heavier load of expense upon the livestock industry; and the operation of too many sales agencies, uncoordinated in their effort, would tend to weaken prices thru their competition for buyers.

Regarding the particular question of livestock marketing, the following statement by H. W. Mumford, Dean of the College of Agriculture, University of Illinois, deserves careful and permanent consideration:

"For many years the livestock producer was left practically helpless to get at the facts concerning the marketing of his livestock, the processes through which the product passed in preparation for consumption, and finally the technic of distribution through wholesale and retail channels. . . . . When pasture lands were practically free and feed abundant and cheap, when labor was plentiful and cheap, and finally when taxes were not a burden, the livestock producer did not need to know much or care much about what price he received, what happened to his product, whether it was economically and intelligently marketed or distributed. . . . .

"Strange and inconsistent as it may seem, I believe it is true that notwithstanding the importance and extent of agricultural production and the effect of economical, intelligent marketing and distribution of farm products to the welfare of so large a part of our population, the value of scientific study of marketing of farm products from the standpoint of the welfare of the farmer has been but slowly recognized. Perhaps this is due to the fact that in an early day prices were less important because fixed costs of production were relatively unimportant. It was during this time that marketing or merchandizing livestock gradually passed out of the hands of the producer and, through the enterprise, vision, and business genius of a few, the great meat packing business developed. With it also developed the public market, stockyards, commission companies, traders, and other allied interests. Too little credit has been accorded these pioneer captains of industry who aided mightily in the development of the livestock business in the United States by developing methods of processing, preserving, and distributing meat and livestock products.

"It would be unprecedented if such an enterprise with all the accompanying marketing machinery had been developed without abuses creeping

[1]Same, p. 197.

in which needed correction. These have been considered and dealt with from time to time in various ways—some of which have been constructive, others destructive."[1]

Pertinent comment by another of the recognized animal husbandrymen of the United States is this:

"The farmer has been under the additional handicap of not having a selling organization that holds his interests paramount. Men who are engaged in handling farm products for profit are not particularly interested in holding down distribution costs or in searching out new markets for the benefit of the producer.

"The farmer is now seeking to reduce the hazards which affect his prosperity. . . . . He has found the *market hazard* fully as great as the climatic hazard, and he would reduce the former by developing a market system adapted to his needs."[2]

In connection with the whole question of cooperation, this very recent comment by a distinguished British economist should be noted:

". . . . In the relations between Government and producer, whether engaged in agricultural or manufacturing or extractive industry, each particular industry must be dealt with as a whole, and must organize itself for mutual cooperation and not appear as a medley of competitive atoms. Similarly Industry as a whole, Agriculture as a whole, Retail Trade as a whole, must meet the Government and the National Planning Commission as organized functional bodies capable not merely of receiving orders from the Government but of being entrusted by the Government with wide powers of cooperative action."

". . . . Organized as functional bodies enjoying large powers of self-government within their industry and entrusted with serious responsibilities to the community, the producers should be able to regulate production in relation to demand with an effectiveness unknown in present conditions. Distribution and marketing could be rationalized on similar lines."[3]

The final question is not whether one favors or opposes cooperatives; the question is whether farmers, particularly stockmen, can serve their own and the industry's interests better by separate and individual action or by collective action.

Well-planned and well-managed cooperation offers tremendous possibilities for the advancement of agriculture, including the livestock industry. Cooperation can, however, extend those benefits only as farmers and stockmen enable it to operate effectively.

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[1]Mumford, H. W., in "American Cooperation," 1927, Vol. 1, pp. 712, 713, 714.

[2]Burnett, E. A., "Responsibilities of the Land-Grant Institutions in Promoting a Sound and Forward-Looking Agricultural Policy for the United States," Proceedings of the Fortieth Annual Convention of the Association of Land-Grant Colleges and Universities, 1927, p. 39.

[3]Blackett, B. P., "Planned Money," D. Appleton and Company, New York, 1933, pp. 34-35.

Powerful interests are opposed to the development of cooperative business organizations in agriculture. But if cooperation fails, the failure will be due, in most cases, to those whom it seeks to aid.

It remains to be seen whether agriculture, competing with organized business and industry, will utilize recent opportunities to develop its own business organizations or whether farmers will insist on the old principle of every man for himself.

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